The

1995

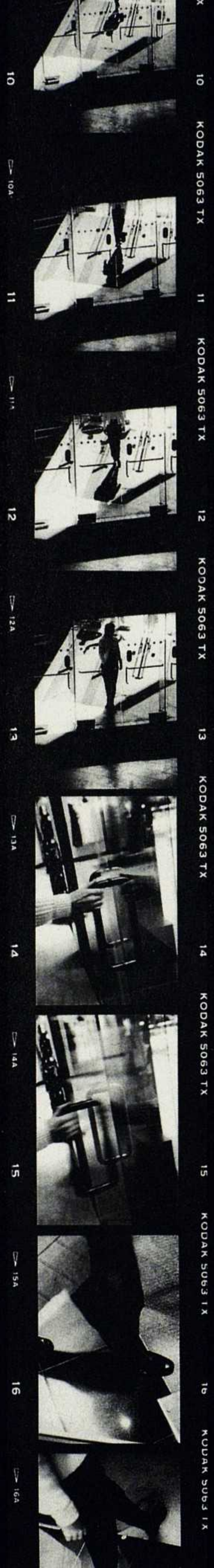
Limited,

Brands

Annual Report

Inc.

In 1995, The Limited, Inc. recorded 170,545,000 transactions, and Victoria's Secret Catalogue logged more than 12,700,000 sales calls...



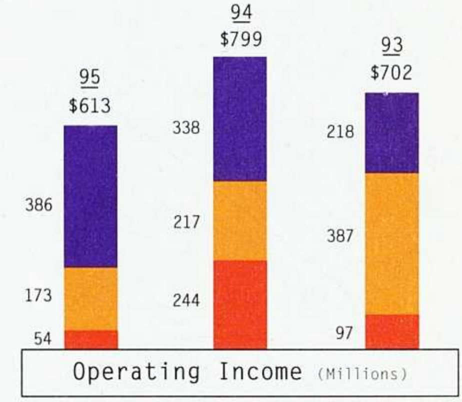
Contents

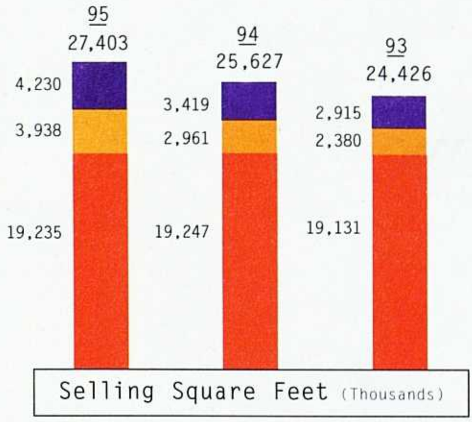
For The Limited, Inc.

"...1995 was a year of re-thinking, great introspection and enormous progress. It was a year that gets us to next."

Financial Highlights

- Women's businesses
- Emerging businesses
- Intimate Brands





Our Operating Results

(Thousands except per share amounts)

	1995	1994	% Change
Net Sales	$7,881,437	$7,320,792	8%
Operating Income	$ 613,349	$ 798,989	(23%)
Gain on Sale of Subsidiary Stock	$ 649,467	—	—
Net Income	$ 961,511	$ 448,343	114%
Net Income as a Percentage of Sales	4.0%[(a)]	6.1%	
Net Income Per Share	$ 2.68	$ 1.25	114%
Net Income Per Share (Excluding Gain on Sale of Subsidiary Stock)	$ .87	$ 1.25	(30%)
Dividends Per Share	$ .40	$ .36	11%

Our Year-End Position

(Thousands except financial ratios)

	1995	1994	% Change
Total Assets	$5,266,563	$4,570,077	15%
Working Capital	$2,083,457	$1,725,416	21%
Current Ratio	3.9	3.2	
Long-Term Debt	$ 650,000	$ 650,000	—
Debt-to-Equity Ratio	20%	24%	
Shareholders' Equity	$3,201,041	$2,760,956	16%
Return on Average Shareholders' Equity	10%[(a)]	17%	

(a) Excludes the effect on net income of the gain on sale of subsidiary stock of $649,467.

Number of Associates	104,000

Dear Partner:

1995 may well prove to be the most significant year in our history.

One that was full of sweeping, fundamental and positive change.

The year was challenging, exhilarating and, I believe, profoundly important.

In 1995, we built on the foundation and took the necessary steps to reach our goal of becoming a $20 billion company.

It was a year of rethinking, great introspection and enormous progress. It was a year that gets us to next.

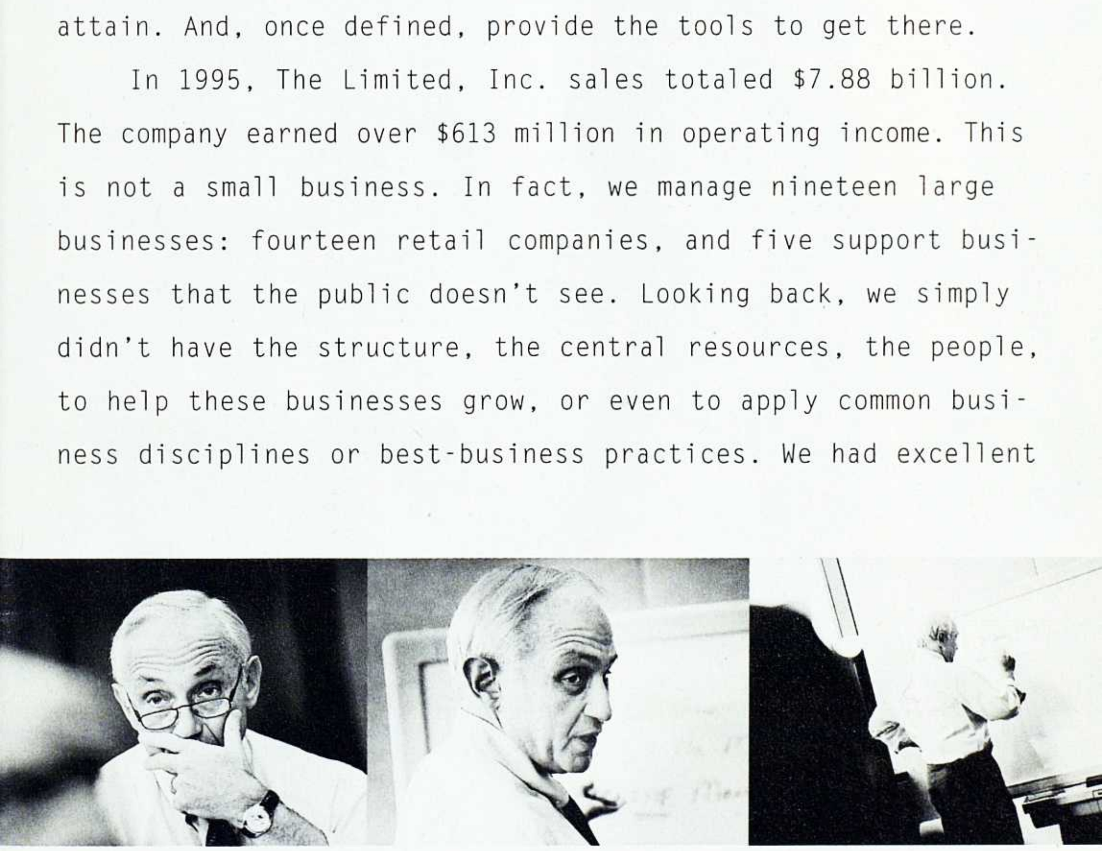
To be honest, it wasn't always easy. Reviewing your own work and results can be difficult, particularly when it spans many years.

Still, it had to be done.

As we built the business and created first one, then three, five, seven — and now it's up to fourteen — different business concepts, the idea was simply to replicate ourselves. That is, to find merchant leaders with a great eye and business ability. In fact, I used to talk about how little central organization and staff we had. That all the "action," and people, were in the Divisions.

Retrospectively, we went too far in terms of decentralization. The business needed more. We had to redefine the role of the parent company. Further, we had to define the criteria, the core competencies, to the scale of business we were trying to attain. And, once defined, provide the tools to get there.

In 1995, The Limited, Inc. sales totaled $7.88 billion. The company earned over $613 million in operating income. This is not a small business. In fact, we manage nineteen large businesses: fourteen retail companies, and five support businesses that the public doesn't see. Looking back, we simply didn't have the structure, the central resources, the people, to help these businesses grow, or even to apply common business disciplines or best-business practices. We had excellent



Leslie H. Wexner, Chairman

Our Brands

Women's	
	Express
	Lerner New York
	Lane Bryant
	Limited Stores
	Henri Bendel

Emerging	
	Structure
	Abercrombie & Fitch Co.
	The Limited Too
	Galyan's Trading Co.

Intimate	
	Victoria's Secret Stores
	Victoria's Secret Catalogue
	Bath & Body Works
	Cacique
	Penhaligon's

and cohesive financial disciplines, but we hadn't found a satisfactory way to apply them to the operating aspects of the business. Even when we did define best practices, we had to have ways to move them around, and the disciplines to ensure they were documented, understood and utilized.

Let me give you an example:

We've talked about quality control in the business for years. But how do you improve quality? Simply jawboning and raising the priority isn't enough. Not only do you have to establish quality standards and hold people accountable, you have to have the technical skills to back them up. You have to benchmark your sourcing and manufacturing skills against other billion-dollar businesses. You have to be realistic about where you are in that universe, and, again, how to get to next.

In 1994, we identified the need for a Chief Sourcing Officer and went out to find the best. In 1995, The Limited, Inc. hired Jack Listanowsky to head up production. Jack is formerly the executive vice president of Liz Claiborne. While there, he developed the skills, the eye and the worldwide production and people base to deliver superior product across a variety of price points.

So now Jack works with the presidents of each of our businesses, helping to define the sourcing strategy, scope out the needs, interview potential candidates and implement the quality standards to build production teams in each business.

That's a far cry from me telling a Divisional president, "Improve quality."

Let me give you another example:

I used to walk through malls looking at the marketing in our businesses, and if I didn't like something, I sent out a note and, hopefully, it would get fixed or improved.

Stores will win,

and closets lose.

But that was always after the fact. So we promoted Ed Razek from Limited Stores into The Limited, Inc. Ed and I were responsible for the development of some of our most successful brands, including Outback Red and Forenza. More important, he understands how I think. He's there to work with the presidents and their marketing directors and get out front. Now marketing is planned and reviewed in advance, with all fourteen marketing directors meeting quarterly and sharing best practices. Marketing plans are laid out on a semiannual and annual basis. Additionally, every Division meets weekly to talk about "making business happen," not in the future, but that day, that week, that month.

Still, the bigger marketing issue facing us is the shift away from sales promotion to **building the brand.** Make no mistake about it: I believe that our businesses do best, get paid for their work, if you will, only when they develop clear, differentiated, powerful brands. Brands are not built by sales promotion. Dynamic brands that capture the imagination of consumers fill not just needs, but wants.

In the past year alone, eight senior marketing people have joined the businesses, and they, along with their presidents, are all clearly charged with developing the vivid brand personality of their individual businesses.

But these are just two examples. The sweeping changes in the business aren't just in quality control and marketing. They're virtually everywhere.

We've considered every functional area over the past year and upgraded or changed, wherever necessary, to meet not only current needs, but those that lie ahead.

Our Human Resource area has changed dramatically. Three years ago we had no central Human Resource function. We had no central ability to recruit or help presidents think about people.

critical
self-eva

Core competencies weren't shared, nor were people. Today, we're very focused on people. We now have real recruiting power, real training, real organizational and developmental skills across all businesses.

Now we're challenging our people to think about what they need to grow, not just today, but five, ten years from now — a critical self-evaluation and benchmarking needed to take each business from a few hundred million dollars to a billion and beyond. And we're committed to providing the guidance, experience and tools to get them there. Real support. Full-time.

We've also taken a hard look at our Information Systems

luation

Management, and found it lacking. In the past, I relied upon Divisional initiatives to "keep us on the cutting edge." This process was unrealistic. We should not have expected that they could individually keep up with the lightning-fast developments in technology, while also managing the myriad of complexities within their fashion businesses. So, in February, after a lengthy search, we hired Jon Ricker from Bell South. Jon's job is to move us to and then keep us on the cutting edge of technology and processing. To give the presidents whatever technical support or tools they need to grow.

Again, these are just a few of the profound structural and people changes happening throughout the business. They're designed to make us leaner, quicker, more agile. I believe they give our businesses the requisite core skills needed to get us to the future.

Introspection, rethinking, self-evaluation are evident, too, on the Divisional level. It is particularly true in the area of fashion. I've already said that our businesses are brands, and must have vivid personalities. And in the fashion business, a vivid personality means the right fashion as the foundation of, and reinforcer to, a clearly defined brand image.

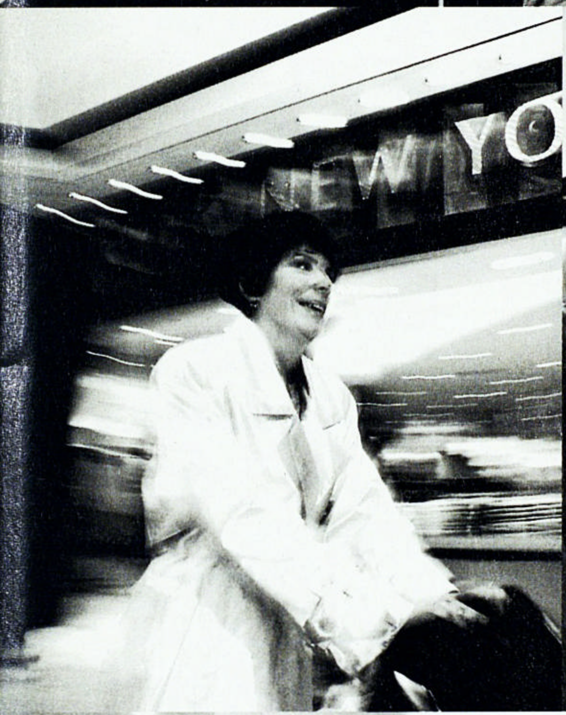
We are no longer content to merely imitate the hottest designer trends. We are bringing fashion designers, technical designers, sample makers and all related support skills into the businesses. And they are creating proprietary design. This process is well under way, with successful and complete design programs already at work in several businesses. Again, this gives us an important edge. Another tool. Design takes a business forward. It invests the brand with personality and equity.

That same thinking, that change, is also evident at the store level. Store leaders have become sales leaders, focused on key items, cross-selling techniques and sales training. In home offices, Chief Financial Officers, instead of reacting and critiquing, are becoming more forward-looking, asking, "Where should this business be?" and helping their CEOs get there.

Change was also a factor in our recent joint venture agreement with Welsh, Carson, Anderson & Stowe. To get to the future, I felt, an alliance of this kind was absolutely essential. The joint venture has acquired the operations of our transaction processor, World Financial Network National Bank (WFNNB), and will continue to process the private-label credit card operations of our retail Divisions.

Over the longer term, it will provide transaction processing and database management services to other retailers as well. More important, it will enable us to provide high levels of information management at low cost. By leveraging database

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In my view, the notion that fash-ion is dead is simply wrong.

marketing techniques across businesses, we'll be in a position to create new levels of customer intimacy, and new levels of one-to-one marketing.

I find all of this change enormously stimulating. And I trust that now that you see the scope of change, you'll agree that we have begun to lay the substantial foundation necessary to grow to $20 billion.

I think many of you know how much I enjoy the invention of a new business. Developing the concept and watching it grow. In the last two years, we've turned this business inside out. The change has been dramatic. Frankly, it was inventive and it felt good.

The Retail Industry

There has been a lot of talk over the last few years about the saturation of stores and the future of malls.

Yes, there are too many stores, and probably too many malls, that are boring and predictable. And yes, we are in the midst of a shakeout in the industry, with many stores and even some malls closing.

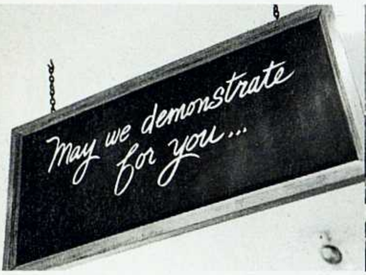
Still, I believe that we're well positioned to capitalize on the changing retail environment. With fourteen exciting retail concepts, powerful manufacturing skills, worldwide sourcing capability, strong distribution and a sound financial base, The Limited, Inc. will grow stronger and more competitive than ever.

Plus, in many cases, we believe malls will reinvent and reenergize themselves and make shopping fun again. They will blend entertainment and casual dining with an upgraded shopping experience. Over the next three years, I believe there will be substantial, radical and positive change in America's malls. In some instances, it's already happening: At Mall of

America in Minneapolis, City Walk in Los Angeles or The Forum Shoppes in Las Vegas, I believe you are seeing the future of the mall industry. And it is an exciting one.

But the turnaround won't happen without a shakeout of the worst-performing malls. We're likely to see a 5%, maybe as high as 10%, mortality rate among existing malls over the next few years. Fortunately for us, many of these worst-performing malls are also malls The Limited, Inc. brands no longer want to be a part of.

Which brings me to the subject of stores. The industry must deal with the undeniable reality that there are too many stores out there. On an industrywide basis, the worst-performing



stores must—and will—be closed. But that doesn't mean all companies, and all brands, need to scale back. In some instances expansion—not retrenchment—is in order.

At The Limited, Inc., we've known that a single real estate strategy doesn't fit all our brands. **We're careful to match a specifically defined strategy to each business.** For example, Victoria's Secret and Lane Bryant have been very successful in small towns, while Abercrombie & Fitch Co. does very well in larger markets with upscale locations.

During 1996, around 10% of our real estate will roll over, and we'll seize the opportunity to cull out stores from the worst-performing malls.

In addition, we are aggressive about store closings. For instance, we'll close about 20 Limited Stores in 1996, bringing the total to 90 stores we've closed in three years. We expect Limited Stores and Lerner New York will benefit from downsizing, and Lerner New York expects to close additional stores. By contrast, Bath & Body Works will add 250 stores this year and Victoria's Secret Stores will add 51.

On a companywide basis, we'll continue to review our overall real estate strategy. We'll make necessary adjustments—closing stores, downsizing or increasing store sizes, or adding stores—depending on marketplace opportunities and individual business needs.

Consumer Confidence and Fashion

For the past few years, consumers—women in particular—have been spending comparatively less on fashion, and more on things like personal computers. There's no denying that this shift has hurt the apparel industry, but the notion that because of it, fashion is dead, in my view, is simply wrong. Fashion doesn't die. People are constantly looking for new. For next.

Still, it's clear to me that we, as fashion retailers, must acknowledge and address three major trends.

First, "individualization." In an age of computers, redundancy and homogenization, women and men, more than ever before, are looking for apparel that makes them feel unique, that has a personality suited to their individual tastes. The days of one uniform for all are gone.

Second is **“quality.”** Throwaway fashion was once accepted. Now it isn't. Consumers are demanding better quality, and they have the right to it. I call it the “Lexus” mentality. And as I said earlier, we are responding to the demand for better quality across all businesses.

Third is **“casualization.”** Casual Friday isn't going to go away. Casual is a lifestyle trend. It's our obligation as specialty retailers to turn “casual” into “style.” To make it interesting and create new demand.

This is our job. It is what we do for a living. Stay ahead of the lifestyle curve and deliver what consumers want... with speed. It is precisely what The Limited, Inc. has been able to do successfully for more than three decades, and I'm convinced that it is always the winning strategy.

Yes, the age-old rivalry between the “closet and the store” still exists. When fashion isn't fresh, the closet wins and stores lose. But, when fashion offerings do get fresh again, consumers are always ready for another expression of individuality.

Then stores win, and closets lose.

Specialization

I've been a specialty retailer from the day I opened my first store. In fact, I called it “The Limited” because we specialized in, or were “limited” to, sportswear. That was the idea. I believed in being a specialist and in specialization.

So, I've constantly looked for ways to keep the business special, fill special needs, share specialized skills. This is, I believe, a defining issue. There has never been a successful specialty retail conglomerate that did not aggregate around space and shared skills.

It was with that in mind that we recently began to re-organize our individual businesses for growth, to “cluster”

them into the most productive, efficient and complementary groupings. We've already clustered our intimate apparel and personal care businesses. Now, our men's, children's and sporting goods businesses are being clustered into the emerging businesses group.

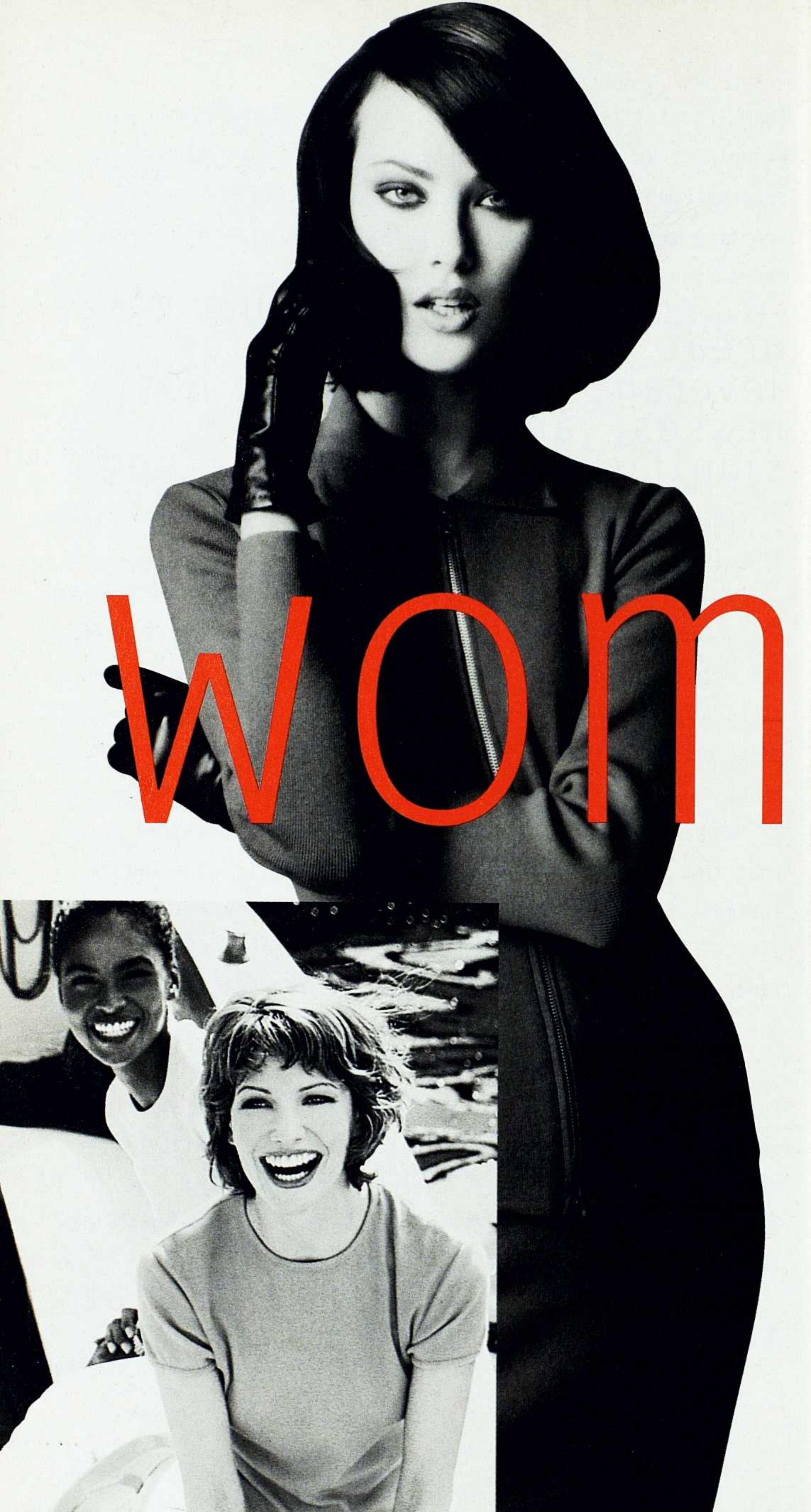
As a specialty retailer, clustering makes great sense. It helps us leverage skills across businesses, and gives us a significant competitive edge in store design, marketing, sourcing and lifestyle issues, to name just a few.

More important, clustering aligns financial incentives and accountability for associates and leaders. I believe people are motivated to perform well when they have a clear financial stake in the long-term performance of their company. The creation of Intimate Brands establishes a critical and direct link between Divisional performance and shareholder value.

Speaking of shareholder value, I'm happy to report that the proceeds from both the initial public offering of Intimate Brands and the WFNNB transaction allowed us to effect a $1.61 billion cash distribution to shareholders via a self-tender where we repurchased 85 million shares or about 24% of our outstanding shares.

AT&T recently announced that they were splitting into three distinct businesses to ensure their future competitive advantage. They saw that, in this instance at least, bigger was not necessarily better. Clearly, it took courage to divide our businesses so dramatically last year. I believe that history will prove these decisions were insightful.

Let's begin by taking a closer look at the women's businesses.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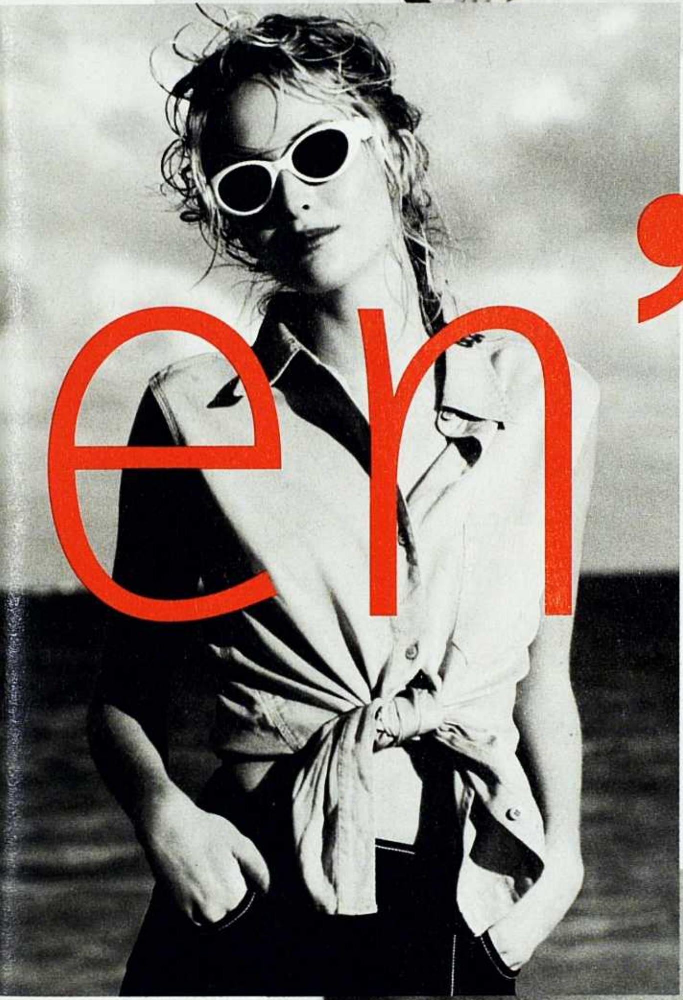

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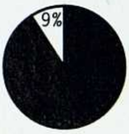
women's businesses

% of Total Limited, Inc. Sales ($ in Millions)

1995	$4,294	54%
1994	4,318	59%
1993	4,665	64%



% of Total Limited, Inc. Operating Income ($ in Millions)

1995	$ 54	9%
1994	244	31%
1993	97	14%

Sales per Average Selling Sq. Ft.

Divisions	1995	1994	1993
Express	$ 323	$336	$386
Lerner New York	155	152	166
Lane Bryant	231	249	244
Limited Stores	198	197	248
Henri Bendel	1,002	904	977
Total of Divisions	$ 223	$224	$248

The word "cannibalization" is often mentioned in connection with our women's businesses. But I don't believe it. We don't crowd the market. In fact, the women's apparel market is well segmented and extremely large. We represent less than 5% of women's apparel sales, and frankly, if we don't offer these options to women, someone else will.

What we have are five significant brands, each with its own personality and target segment, all underperforming to their potential.

With 1995 sales of $4.3 billion, and operating income of only $54 million, our biggest and most important upside opportunity lies within our women's businesses.

I continue to believe that we will grow the women's apparel business.

On the pages that follow, we will briefly outline each of the women's businesses' goals and strategies for the coming year.

Express

Everyday European street fashion, as it is happening, 22-40 year old women.

	Sales (millions)	# Stores
1995	**$1,445**	**737**
1994	1,387	716
1993	1,421	673

1996 Financial Goals

Restore profitability to 1992 record levels by:

- Increasing sales of accessories to historic norms.
- Developing new line extensions.
- Increasing sales per store.

1996 Operational Strategies

- Merchandising Provide fresher merchandise more frequently by increasing the number of fashion transitions; creating seasons within seasons; and constantly renew the inventory base.
- Real Estate Continue to evaluate store size and achieve stronger sales per square foot.

Lerner New York

Fashionable sportswear for the value-minded customer.

	Sales (millions)	# Stores
1995	**$1,005**	**835**
1994	1,019	846
1993	1,141	877

1996 Financial Goals

Restore operating income to 1993 levels and increase sales per store by building line plans that focus on our historically strongest categories.

1996 Operational Strategies

- Merchandising Concentrate on the knit, dress, denim and accessory categories. Implement more seasonal looks by transitioning the assortment more frequently.
- Real Estate Reduce total square footage by 276,000 by downsizing stores, carving out space for other businesses and closing unprofitable stores.

Lane Bryant

Fashionable sportswear, ready-to-wear, lingerie, accessories and hosiery for the larger-sized (14-28) customer.

	Sales (millions)	# Stores
1995	**$903**	**828**
1994	959	812
1993	928	817

1996 Financial Goals

Improve operating income by:

- Returning to historic merchandise margin rates.
- Maintaining a lean expense structure.
- Achieving positive comparable store sales momentum.

1996 Operational Strategies

- Merchandising Achieve a better assortment balance, particularly in the tops business. Return to a strong position in dresses and reintroduce accessories and career clothing. Build the Venetia jeans brand through improved fit and fashion.

Limited Stores

Classic American clothing for women, aged 25-45, who are sophisticated versus trendy and who want clothing that's high-quality and versatile.

	Sales (millions)	# Stores
1995	**$ 850**	**689**
1994	869	709
1993	1,084	746

1996 Financial Goals

Increase profits and achieve comparable store sales by:

- Improving merchandise margins to historic rates.
- Challenging and rethinking our inventory allocation process.

1996 Operational Strategies

- Merchandising Build on strengths, such as chino pants and sportswear tops. Develop line extensions. Rebuild accessories. Design a one-look brand, with an in-house design team. Restore sourcing and quality control to historically high levels by bringing these functions inside the business.
- Real Estate Reduce total square footage by 182,000 by closing unprofitable stores and downsizing stores.

Henri Bendel

Fashion apparel, cosmetics, accessories and gifts for professional women, aged 30-plus, from higher-income households.

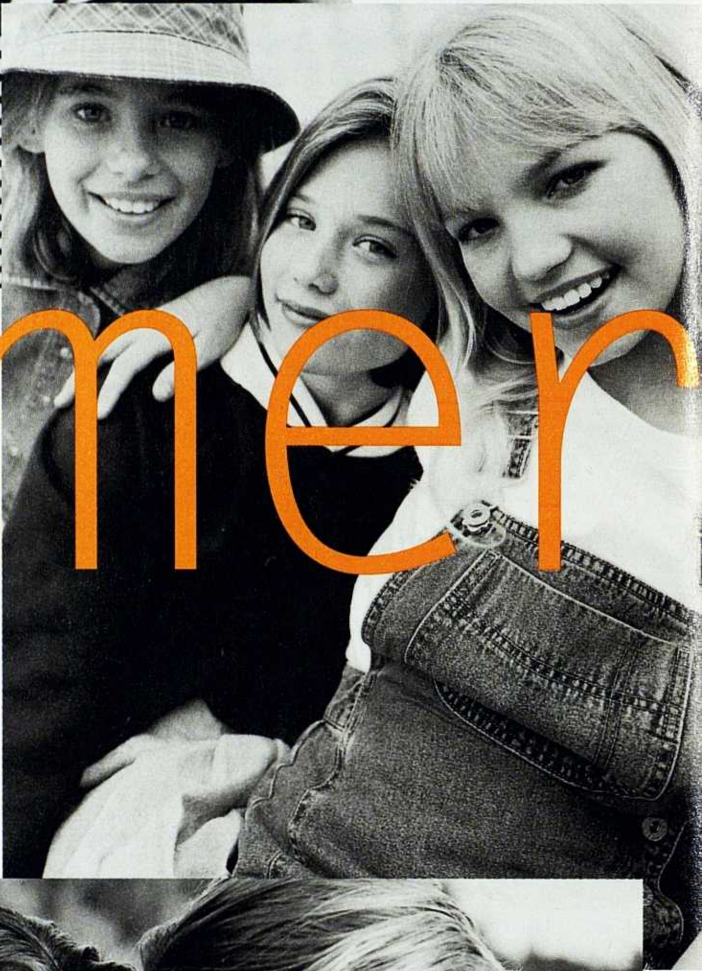
	Sales (millions)	# Stores
1995	**$91**	**4**
1994	84	4
1993	91	4

1996 Financial Goals

- Grow sales and merchandise margins.
- Improve the expense structure of stores by implementing operating and payroll efficiencies.

1996 Operational Strategies

- Merchandising Establish Henri Bendel as a brand, rather than a product developer. Deliver and flow fashion-right, high-demand assortments. Grow the apparel business, while enlarging the cosmetics category.
- Real Estate Open two new stores flawlessly.



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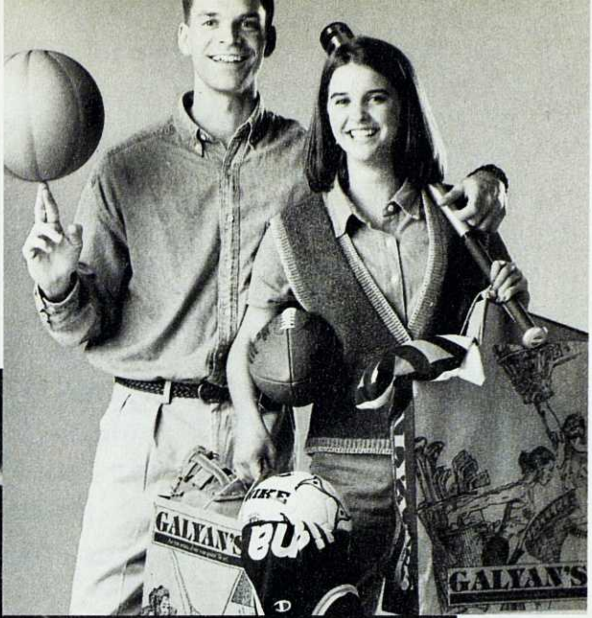

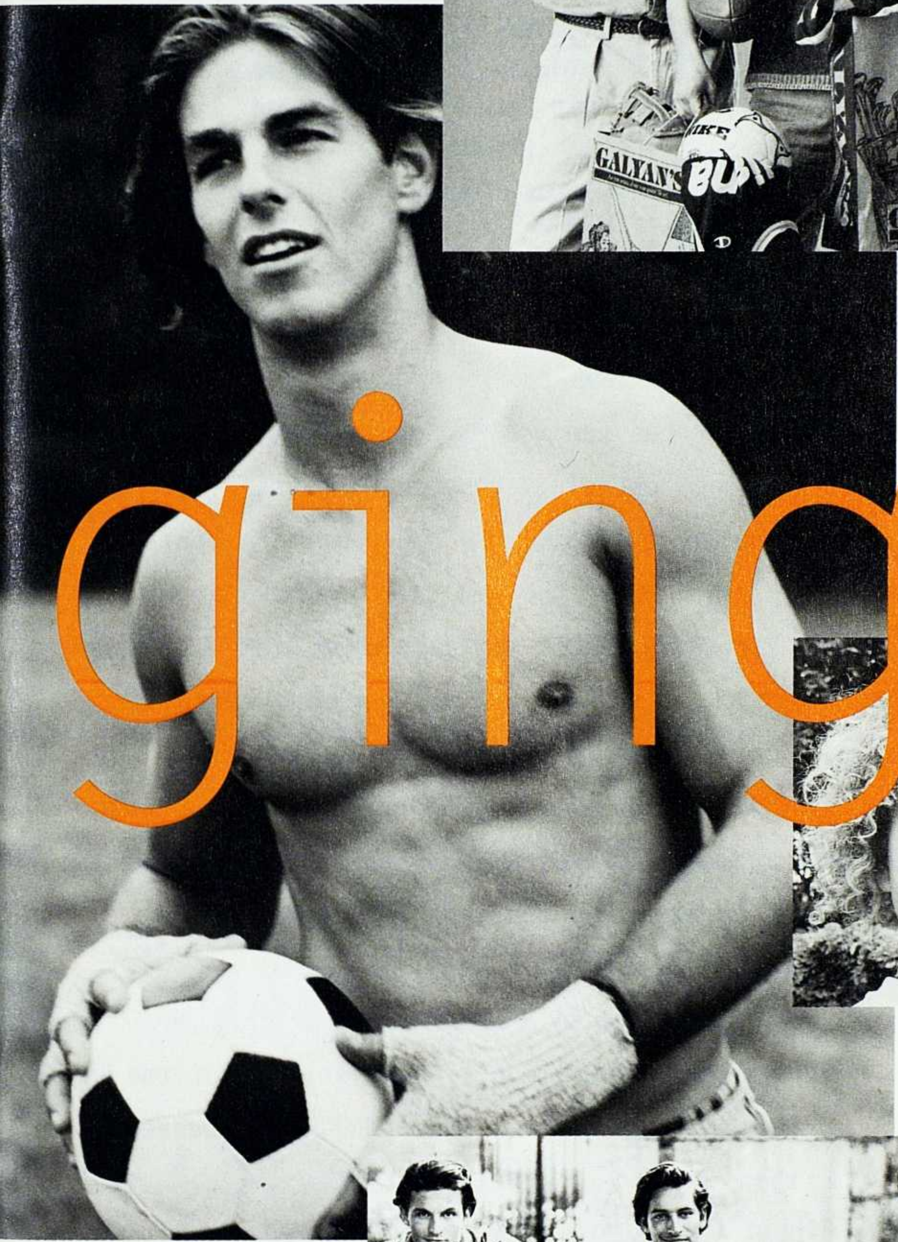

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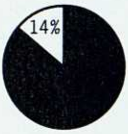
emerging businesses



% of Total Limited, Inc. Sales ($ in Millions)

1995	**$1,070**	**14%**
1994	895	12%
1993	949	13%

% of Total Limited, Inc. Operating Income ($ in Millions)

1995	**$173**	**28%**
1994	217	27%
1993	387	55%

Sales per Average Selling Sq. Ft.

Divisions	1995	1994	1993
Structure	**$308**	$351	$362
Abercrombie & Fitch Co.	**354**	350	301
The Limited Too	**273**	282	259
Galyan's Trading Co. (since 7/2/95)	**184**	N/A	N/A
Total of Divisions (excluding Galyan's)	**$309**	$335	$325

This group—with combined 1995 sales in excess of $1 billion—already boasts some of the top brands in specialty retailing. Our vision is that the "emerging" cluster will essentially serve two purposes—to be the incubator for new business concepts and to oversee the growth of the emerging businesses to the next level. Structure alone has developed into a nearly $600 million business. I believe all four of our emerging businesses have tremendous upside potential.

To grow profitably into a $20 billion company, we need to continue the process of creating successful new businesses. We need to invent and develop the next Victoria's Secret, the next Express, the next Bath & Body Works.

Doing so will be one of my top personal priorities.

Which leads me to another important point. One of the key benefits of the many organizational changes I've discussed in this letter is that I'll be able to spend more of my time and energy in business creation and development, an area where I think we've been particularly successful. Continuing to be an innovation leader is an important component of our overall growth strategy, and allows us an ever-expanding array of growth opportunities.

The emerging cluster will serve as an incubator for new business concepts.

Structure

European-inspired sportswear and ready-to-wear, with a distinctive American casual interpretation for 18-40 year old men.

	Sales (millions)	# Stores
1995	**$576**	**518**
1994	555	466
1993	450	394

1996 Financial Goals

Match or exceed historic pre-tax profit levels by:

- Implementing a more deliberate pricing strategy.
- Achieving significant sales-per-square-foot increases.
- Improving merchandising margins.

1996 Operational Strategies

- Merchandising Return the emphasis to the "basic" categories that were traditionally dominant, such as casual pants. Continue to deliver fashion ahead of the game.
- Real Estate Continue to focus the new-store opening strategy in prime markets and locations.

Abercrombie & Fitch Co.

Natural American-style sportswear—casual, classic, spirited—for young-minded men and women, aged 15-50.

	Sales (millions)	# Stores
1995	**$235**	**100**
1994	166	67
1993	111	49

1996 Financial Goals

- Achieve a higher operating income rate through volume growth and leveraged expenses.
- Improve our profit planning.

1996 Operational Strategies

- Merchandising Roll out new merchandise and categories consistent with the brand. Continue to build brand recognition.
- Real Estate Add 25 stores.

The Limited Too

American casual fashion for girls to age 14.

	Sales (millions)	# Stores
1995	**$214**	**288**
1994	174	210
1993	146	184

1996 Financial Goals

Return to profitability by:

- Delivering positive comparable store sales.
- Increasing merchandising margin.

1996 Operational Strategies

- Merchandising Develop branded apparel using an in-house design team. Narrow the base of suppliers and vendors to assure high quality standards. Focus on fashion basics and further develop the baby business.

Galyan's Trading Co.

The "coolest" destination in sports retailing for sports enthusiasts and wanna-be's of all ages and both genders.

	Sales (millions)	# Stores
1995 (since 7/2/95)	**$45**	6

1996 Financial Goal

Build the base business from $100 million in 1996 to over $1 billion in five years at superior operating income rates.

1996 Operational Strategies

- Merchandising Develop Galyan's Trading Co. as a brand.
- Real Estate Add three new stores: two in the Minneapolis/ St. Paul area and one in Kansas City.

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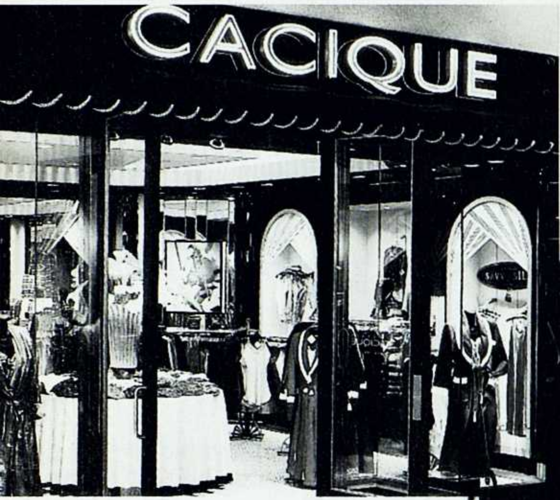
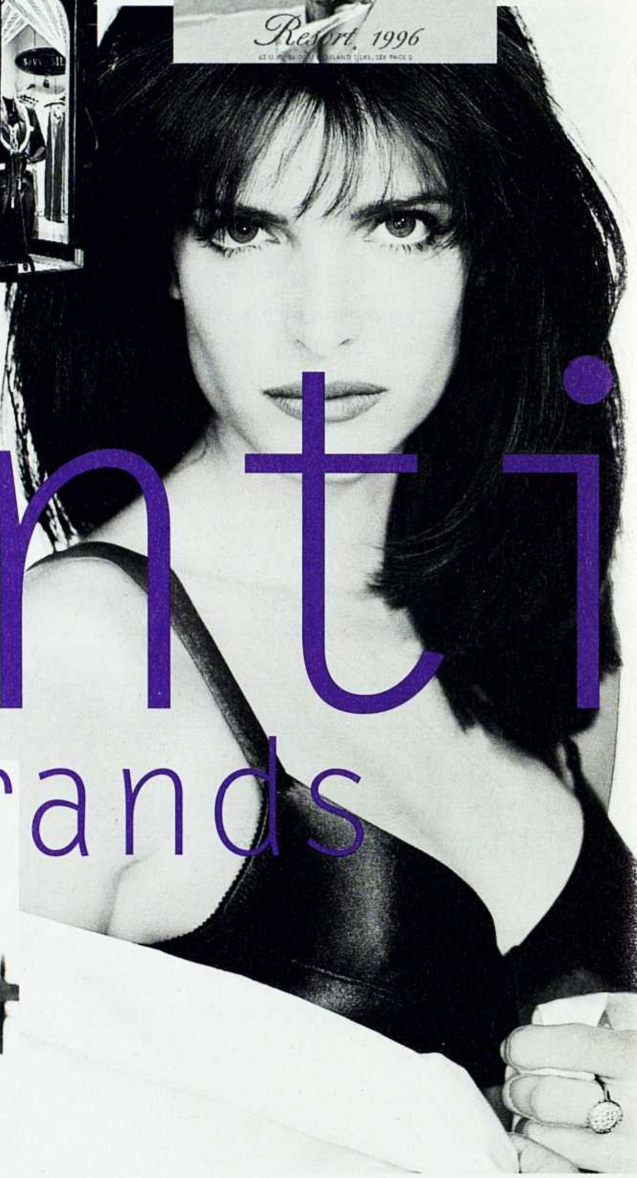
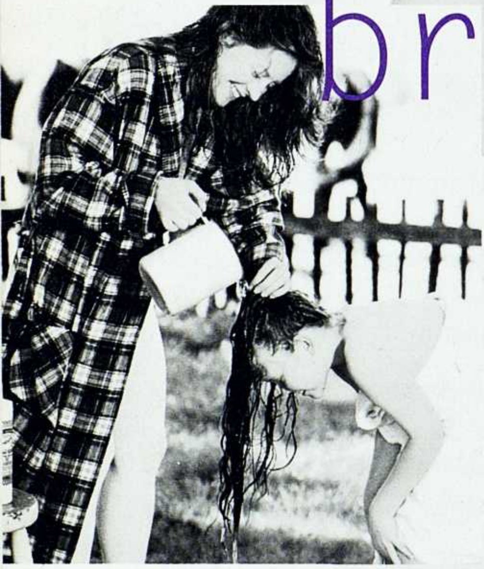
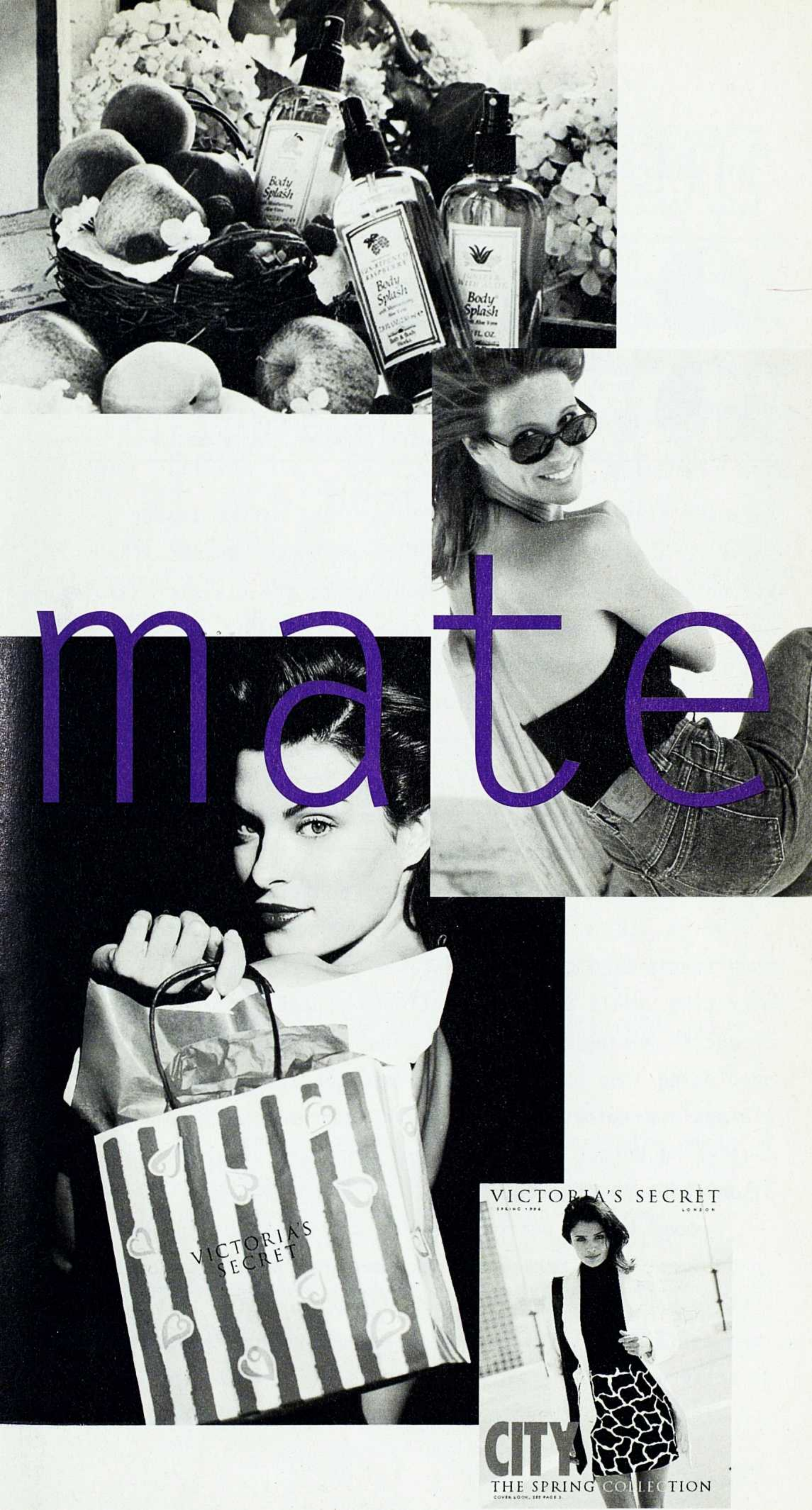


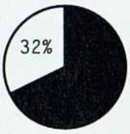






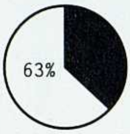
Body Splash
Body Splash
Body Splash
mate
VICTORIA'S SECRET
VICTORIA'S SECRET
LONDON
CITY
THE SPRING COLLECTION

intimate brands



% of Total Limited, Inc. Sales ($ in Millions)

1995	**$2,517**	**32%**
1994	2,108	29%
1993	1,631	23%



% of Total Limited, Inc. Operating Income ($ in Millions)

1995	**$386**	**63%**
1994	338	42%
1993	218	31%

Sales per Average Selling Sq. Ft.

Divisions	1995	1994	1993
Victoria's Secret Stores	$ 459	$ 479	$ 453
Bath & Body Works	710	705	590
Cacique	225	278	343
Penhaligon's	2,787	2,032	1,637
Total of Divisions	$ 482	$ 486	$ 454

Intimate Brands, Inc. (IBI) is the clear market leader in intimate apparel and personal care products. Brands like Victoria's Secret and Bath & Body Works are classic examples of vivid brand personalities—exciting, dynamic concepts that are clear leaders. We're determined to continue our leadership in this high-growth segment of the specialty retail market.

On October 24, 1995, the Divisions comprising IBI—Victoria's Secret Stores, Victoria's Secret Catalogue, Bath & Body Works, Cacique, Penhaligon's and Gryphon—became a separate NYSE-traded company.

The creation of IBI was a very positive change.

First, IBI clusters complementary businesses, forming a more specialized group that shares sourcing, merchandising and marketing skills unique to intimate apparel and personal care products. Now we can leverage these skills across Divisions, developing line extensions and sales opportunities that complement and reinforce "Mega brand" concepts. In addition, this clustering better integrates our store and catalogue skills, allowing us to leverage both.

Second, we've better aligned associate and management incentives. I've felt for some time that people are most productive when they have a direct financial stake in the long-term performance of their business. IBI makes these Divisions directly accountable to shareholders by establishing a direct and clear link between performance and shareholder value.

IBI positions these strong growth businesses for even greater success, allowing our powerful brands to become even more dominant. Between 1990 and 1995, Intimate Brands' sales grew at a 22% annual rate. Operating income for these Divisions compounded at 20% a year. Building on that strong track record, in 1995 the IBI businesses posted combined sales of over $2.5 billion and an operating income rate of 15.4%. Profit after taxes was $204 million.

IBI represents high-growth, high-profit specialty retailing at its best. This new structure builds on our proven abilities, gives us important synergies across brands and rewards the entrepreneurial spirit of our associates and management team. We believe that IBI can achieve our goal of an annual sales growth of 15% to 20% through the rest of this decade and beyond.

Victoria's Secret Stores

Most successful brand of elegant intimate apparel, foundations and related products for women aged 15 and above.

	Sales (millions)	# Stores
1995	**$1,286**	**671**
1994	1,181	601
1993	991	570

1996 Financial Goal

Increase operating profit by leveraging margins and introducing new systems to improve in-stock inventories.

1996 Operational Strategies

- <u>Merchandising</u> Expand fashion basics to increase purchases by our core client. Introduce shapewear to meet the needs of our older clients. Test new lifestyle categories to propel growth. Capitalize on the introduction of new foundations. Deliver fresh, coordinated assortments of sleepwear.
- <u>Real Estate</u> Increase selling square feet by 9-10% by adding 51 new stores including a focus on smaller cities and urban/street locations. Expand existing stores where volume opportunities are restricted by the current size of the store.

Victoria's Secret Catalogue

The premier catalogue of women's intimate apparel and clothing presented in an aspirational lifestyle setting for women aged 18 and over.

	Sales (millions)	# Catalogues Mailed (millions)
1995	**$661**	**324**
1994	569	260
1993	436	187

1996 Financial Goals

- Improve operating margins via operational efficiencies and increased sales-per-page productivity rates.
- Grow total international sales.

1996 Operational Strategies

- <u>Merchandising</u> Continue to introduce new and innovative intimate apparel products. Maximize our opportunities in women's apparel.
- <u>Circulation and New Books</u> Further develop our specialty books: Swim, Country and City. Broaden our catalogue reach in Canada and add catalogue distribution to Japan. Reinforce the existing customer sales base by focusing on retention and frequency of purchase. Refine our catalogue mailing segmentation techniques.

Bath & Body Works

Healthy, natural, good-for-you personal care products and gifts of superior efficacy and value from America's heartland for men and women of all ages.

	Sales (millions)	# Stores
1995	**$475**	**498**
1994	260	318
1993	112	194

1996 Financial Goals

- Continue to produce industry-leading store-for-store sales increases.
- Use efficiencies and expense leverage to maintain operating margins.
- Achieve new-product sales of 25% of total.

1996 Operational Strategies

- <u>Merchandising</u> Introduce products and categories that represent major volume and profit opportunities. Deliver superior performing and quality products that customers recognize as such, use regularly and repurchase. Provide an exceptional assortment of gifts and home accessories that promote new customer trial.

* Real Estate Continue aggressive expansion by opening 250 new stores, adding approximately 488,000 selling square feet. Develop a presence to test the potential of a variety of retail locations such as specialty centers, strip centers, college campuses and street locations.

Cacique

Beautiful, high-quality, French-inspired lingerie for sophisticated women, aged 25-plus.

	Sales (millions)	# Stores
1995	**$80**	**120**
1994	92	114
1993	86	108

1996 Financial Goals

* Produce comparable store sales gains of more than 10%.
* Maintain expense controls.

1996 Operational Strategies

* Merchandising Refine and build brand identity. Improve quality through better sourcing and a strong quality assurance team. Build the assortment with innovative key items and fabrics. Offer good, better and best product levels with clear distinctions.

Penhaligon's

Highly desirable, world-class purveyor of classic scents and fine English gifts for sophisticated, well-traveled men and women.

	Sales (millions)	# Stores
1995	**$6**	**4**
1994	5	4
1993	5	7

1996 Financial Goal

Increase sales significantly.

1996 Operational Strategies

* Merchandising Grow brand awareness, in part through more targeted mail order. Explore new channels of distribution. Strengthen current stores.
* Real Estate Maintain and enhance the high-profile boutiques in Harrods, Saks Fifth Avenue and Bergdorf Goodman. Test additional retail outlet opportunities.

Gryphon Development, L.P.

Gryphon is one of the world's leading producers of personal care products. This year, Gryphon will create, package and deliver almost 300 million units of 2,000 different products. Responsible for supplying 85% of Victoria's Secret bath and fragrance products—and 75% of Bath & Body Works'—in 1996, Gryphon will introduce two different fragrance lines: one for men and another for women at Abercrombie & Fitch Co.

The past few years have been difficult for retailing. But I'm convinced that the decisions and changes we have made, and the actions that will be taken this year, get us to a stronger and more certain future.

I'm very excited about our prospects. I'm especially pleased that our new structure allows me to spend more time and creative energy on developing our brands and creating new business concepts.

Change is never easy. And over the past few years we've seen a sea change in our business, and in the industry as a whole. From the repositioning of the women's business to the creation of IBI and the spectacular growth of new businesses such as Bath & Body Works and Abercrombie & Fitch Co., our business has never moved faster or more dramatically.

This is a time of great excitement and opportunity. I look forward to sharing it with you — our associates and our shareholders. I'm convinced that our best days lie ahead.

Leslie H. Wexner

Leslie H. Wexner
Chairman

Our Support Businesses

Mast Industries

Mast Industries, Inc. is the world's leading international contract manufacturer, importer and distributor of apparel for men, women and children. Its product lines range from sportswear and ready-to-wear to lingerie.

Limited Distribution Services

The basic purpose of Limited Distribution is to design and implement operations that will provide the retail Divisions with the most effective and efficient delivery operations available. Limited Distribution Services will have achieved its objective if each of its customers believes that it has been an asset in helping them achieve their goals.

Limited Real Estate

Responsible for locating and leasing all store sites for the retail Divisions of The Limited, Inc. and Intimate Brands, Inc., Limited Real Estate continually searches for new and exciting retail environments where the Divisions can be showcased.

Limited Store Planning

Limited Store Planning's mission is to create the most innovative, most successful stores in the retail business. It employs talented design, engineering, architectural, construction, purchasing and finance associates. These highly focused teams design and build leading edge retail spaces.

Financial Summary

(Thousands except per share amounts, ratios and store and associate data)

Fiscal Year	1995■▲●	1994	1993▲	1992
Summary of Operations				
Net Sales	$ 7,881,437	$ 7,320,792	$ 7,245,088	$ 6,944,296
Gross Income	$ 2,087,532	$ 2,114,363	$ 1,958,835	$ 1,990,740
Operating Income	$ 613,349	$ 798,989	$ 701,556	$ 788,698
Operating Income as a Percentage of Sales	7.8%	10.9%	9.7%	11.4%
Income Before Income Taxes	$ 1,184,511	$ 744,343	$ 644,999	$ 745,497
Net Income	$ 961,511	$ 448,343	$ 390,999	$ 455,497
Net Income (Excluding Gain on Sale of Subsidiary Stock)	$ 312,044	$ 448,343	$ 390,999	$ 446,380
Net Income as a Percentage of Sales	4.0%(a)	6.1%	5.4%	6.6%
Per Share Results				
Net Income	$ 2.68	$ 1.25	$ 1.08	$ 1.25
Net Income (Excluding Gain on Sale of Subsidiary Stock)	$ .87	$ 1.25	$ 1.08	$ 1.23
Dividends	$ .40	$ .36	$ .36	$ .28
Book Value	$ 9.01	$ 7.72	$ 6.82	$ 6.25
Weighted Average Shares Outstanding	358,371	358,601	363,234	363,738
Other Financial Information				
Total Assets	$ 5,266,563	$ 4,570,077	$ 4,135,105	$ 3,846,450
Return on Average Assets	6%(a)	10%	10%	13%
Working Capital	$ 2,083,457	$ 1,725,416	$ 1,490,840	$ 1,043,257
Current Ratio	3.9	3.2	3.1	2.4
Capital Expenditures	$ 374,374	$ 319,676	$ 295,804	$ 429,545
Long-Term Debt	$ 650,000	$ 650,000	$ 650,000	$ 541,639
Debt-to-Equity Ratio	20%	24%	27%	24%
Shareholders' Equity	$ 3,201,041	$ 2,760,956	$ 2,441,293	$ 2,267,617
Return on Average Shareholders' Equity	10%(a)	17%	17%	22%
Comparative Store Sales Increase (Decrease)	(2%)	(3%)	(1%)	2%
Stores and Associates at End of Year				
Total Number of Stores Open	5,298	4,867	4,623	4,425
Selling Square Feet	27,403,000	25,627,000	24,426,000	22,863,000
Number of Associates	104,000	105,600	97,500	100,700

▲ Includes the results of companies disposed of up to the disposition date.
● Includes the results of companies acquired subsequent to the date of acquisition.
■ Fifty-three week fiscal year.
(a) Excludes the effect on net income of the gain on sale of subsidiary stock of $649,467.

1991•	1990•	1989■▲	1988•	1987	1986	1985•
$ 6,149,218	$ 5,253,509	$ 4,647,916	$ 4,070,777	$ 3,527,941	$ 3,142,696	$ 2,387,110
$ 1,793,543	$ 1,630,439	$ 1,446,635	$ 1,214,703	$ 992,775	$ 961,827	$ 718,843
$ 712,700	$ 697,537	$ 625,254	$ 467,418	$ 408,872	$ 438,229	$ 276,212
11.6%	13.3%	13.5%	11.5%	11.6%	13.9%	11.6%
$ 660,302	$ 653,438	$ 573,926	$ 396,136	$ 378,188	$ 394,780	$ 239,317
$ 403,302	$ 398,438	$ 346,926	$ 245,136	$ 235,188	$ 227,780	$ 145,317
$ 403,302	$ 398,438	$ 346,926	$ 245,136	$ 235,188	$ 227,780	$ 145,317
6.6%	7.6%	7.5%	6.0%	6.7%	7.2%	6.1%
$ 1.11	$ 1.10	$ .96	$ .68	$ .62	$ .60	$ .40
$ 1.11	$ 1.10	$ .96	$ .68	$ .62	$ .60	$ .40
$ .28	$ .24	$ .16	$ .12	$ .12	$ .08	$ .05
$ 5.19	$ 4.33	$ 3.45	$ 2.64	$ 2.04	$ 2.07	$ 1.13
363,594	362,044	361,288	360,186	376,626	376,860	365,638
$ 3,418,856	$ 2,871,878	$ 2,418,486	$ 2,145,506	$ 1,929,477	$ 1,726,544	$ 1,494,313
13%	15%	15%	12%	13%	14%	14%
$ 1,057,417	$ 861,637	$ 680,707	$ 563,601	$ 617,007	$ 581,595	$ 419,706
3.0	2.8	2.4	2.2	2.8	2.7	2.2
$ 523,082	$ 428,844	$ 318,427	$ 288,972	$ 283,590	$ 196,487	$ 180,269
$ 713,758	$ 540,446	$ 445,674	$ 517,952	$ 681,000	$ 417,420	$ 670,744
38%	35%	36%	55%	93%	53%	166%
$ 1,876,792	$ 1,560,052	$ 1,240,454	$ 946,207	$ 729,171	$ 781,542	$ 404,075
23%	28%	32%	29%	31%	38%	43%
3%	3%	9%	8%	3%	18%	12%
4,194	3,760	3,344	3,497	3,115	2,682	2,353
20,355,000	17,008,000	14,374,000	14,296,000	12,795,000	11,320,000	10,460,000
83,800	72,500	63,000	56,700	50,200	43,200	33,600

Management's Discussion and Analysis

Results of Operations

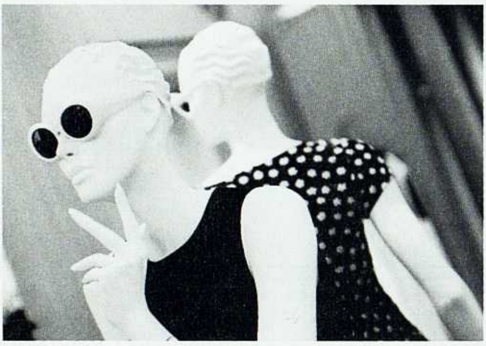
Net sales for the fourteen-week fourth quarter grew 9% to $2.771 billion from $2.539 billion for the thirteen-week fourth quarter a year ago. Net income (excluding gain on sale of subsidiary stock) was $180 million, compared to $257 million last year, and earnings per share (excluding gain on sale of subsidiary stock) were $0.50 versus $0.72 in 1994. In addition, the Company recorded a gain on sale of subsidiary stock of $36.0 million, or $0.10 per share, resulting from the exercise of the underwriters' over-allotment options with respect to an additional 2.7 million shares of Intimate Brands, Inc. ("IBI") (over the original 40 million shares issued in the third quarter).

Net sales for the 53-week fiscal year ended February 3, 1996 increased 8% to $7.881 billion, an increase of $560 million from sales of $7.321 billion for the 52-week fiscal year ended January 28, 1995. Net income (excluding gain on sale of subsidiary stock) was $312 million compared to $448 million a year ago. Earnings per share (excluding gain on sale of subsidiary stock) were $0.87 compared to $1.25 last year. The Company also recorded a gain of $649.5 million, or $1.81 per share, resulting from the successful initial public offering of a 16.9% interest in IBI during the Fall season of 1995.

Divisional highlights include the following:

- Although the performance of the women's businesses was disappointing, significant progress was made at Limited Stores in 1995. The division finished the year with a profitable fourth quarter which reflected positive comparable store sales.
- Bath & Body Works nearly doubled operating income while adding 180 new stores, establishing itself as a leading national brand in personal care products.
- Abercrombie & Fitch Co. realized an 80% increase in operating income while opening 33 stores in 1995.

For further information about the Company's divisions, including sales and operating income, see pages 22-25, 28-31 and 34-37 of this Annual Report.



Financial Summary

The following summarized financial data compares 1995 to the comparable periods for 1994 and 1993:

	1995	1994	1993	% Change 1995-94	% Change 1994-93
Net Sales (millions):					
Express	$1,445	$1,387	$1,421	4%	(2%)
Lerner New York	1,005	1,019	1,141	(1%)	(11%)
Lane Bryant	903	959	928	(6%)	3%
Limited Stores	850	869	1,084	(2%)	(20%)
Henri Bendel	91	84	91	8%	(8%)
Total Women's Businesses	$4,294	$4,318	$4,665	(1%)	(7%)
Structure	576	555	450	4%	23%
Abercrombie & Fitch Co.	235	166	111	42%	50%
The Limited Too	214	174	146	23%	19%
Galyan's Trading Co. (since 7/2/95)	45	–	–	–	–
Other, Net	–	–	242	–	–
Total Emerging Businesses	$1,070	$ 895	$ 949	20%	(6%)
Victoria's Secret Stores	1,286	1,181	991	9%	19%
Victoria's Secret Catalogue	661	569	436	16%	31%
Bath & Body Works	475	260	112	83%	132%
Cacique	80	92	86	(13%)	7%
Other	15	6	6	150%	–
Total Intimate Brands, Inc.	$2,517	$2,108	$1,631	19%	29%
Total Net Sales	$7,881	$7,321	$7,245	8%	1%
Operating Income (millions):					
Women's Businesses	$ 54	$ 244	$ 97	(78%)	152%
Emerging Businesses and Other	173	217	387	(20%)	(44%)
Intimate Brands, Inc.	386	338	218	14%	55%
Total Operating Income	$ 613	$ 799	$ 702	(23%)	14%
Increase (Decrease) in Comparable Store Sales:					
Express	(2%)	(9%)	0%		
Lerner New York	(1%)	(10%)	(5%)		
Lane Bryant	(8%)	2%	(2%)		
Limited Stores	(4%)	(21%)	(14%)		
Henri Bendel	6%	4%	13%		
Total Women's Businesses	(3%)	(9%)	(5%)		
Structure	(9%)	5%	13%		
Abercrombie & Fitch Co.	5%	15%	6%		
The Limited Too	(4%)	13%	34%		
Total Emerging Businesses	(5%)	8%	17%		
Victoria's Secret Stores	(1%)	12%	7%		
Bath & Body Works	21%	39%	44%		
Cacique	(20%)	(12%)	0%		
Total Intimate Brands, Inc.	1%	13%	9%		
Total Comparable Store Sales (Decrease)	(2%)	(3%)	(1%)		
Retail Sales Increase Attributable to New and Remodeled Stores	9%	6%	8%		
Retail Sales per Average Selling Square Foot	$ 272	$ 270	$ 278	1%	(3%)
Retail Sales per Average Store (thousands)	$1,419	$1,423	$1,452	–	(2%)
Average Store Size at End of Year (square feet)	5,172	5,265	5,284	(2%)	–
Retail Selling Square Feet (thousands)	27,403	25,627	24,426	7%	5%
Number of Stores:					
Beginning of Year	4,867	4,623	4,425		
Opened	504	358	322		
Acquired	6	–	–		
Closed	(79)	(114)	(124)		
End of Year	5,298	4,867	4,623		

Net Sales

Fourteen-week fourth quarter 1995 sales as compared to sales for the thirteen-week fourth quarter 1994 increased 9% to $2.771 billion due to a 9% increase in sales attributable to new and remodeled stores and a 4% increase due to the fifty-third week, offset by a 4% decrease in comparable store sales resulting from a very difficult Holiday and promotional retail environment. Fourth quarter 1994 sales as compared to 1993 increased 5% to $2.539 billion due to a 9% increase in sales attributable to new and remodeled stores, offset by a 4% decrease in comparable store sales.

The 1995 retail sales increase is attributable to a 9% increase in sales due to the net addition of new and remodeled stores and a 1% increase due to the fifty-third week, which was partially offset by a 2% decline in comparable store sales. The Company added 504 new stores in 1995, acquired 6 stores via the purchase of Galyan's Trading Company, Inc., remodeled 284 stores and closed 79 stores for a net addition of 431 stores representing approximately 1.8 million square feet of new retail selling space. Average sales productivity increased slightly to $272 per square foot.

In 1995, approximately $409 million, or 73%, of the sales increase came from the IBI businesses. These businesses added collectively 256 net new stores representing over 800,000 square feet and experienced a comparable store sales increase of 1%. Catalogue sales increased by $92 million, or 16%, due to a 25% increase in catalogue mailings. The balance of the sales increase came from the emerging businesses which include Structure, Abercrombie & Fitch Co. and The Limited Too, as sales from the women's businesses were essentially flat to 1994.

The 1994 retail sales increase is attributable to the net addition of new and remodeled stores, which was partially offset by a 3% decline in comparable store sales. The Company added 358 new stores in 1994, remodeled 226 stores and closed 114 stores for a net addition of 244 stores including in excess of 1.2 million square feet of new retail selling space. Consistent with the comparable store sales decline, average sales productivity declined slightly to $270 per square foot.

In 1994, the IBI businesses posted a $477 million sales increase over the prior year due to the net addition of 158 stores representing over 500,000 selling square feet, a 13% increase in comparable store sales and a 39% increase in catalogues mailed by Victoria's Secret Catalogue. Additionally, sales at the men's businesses were up 29% due to the net addition of 90 stores and comparable store sales increases. However, most of the increases were offset by the poor performance of the women's businesses, which experienced a 7% sales decline and the loss of sales revenue from the Brylane Catalogue division which was included in 1993 sales results through the date of sale, August 30, 1993.

Gross Income

Gross income decreased as a percentage of sales to 29.2% for the fourteen-week fourth quarter of 1995 from 32.8% for the thirteen-week fourth quarter in 1994. Merchandise margins, expressed as a percentage of sales, decreased 2.8%, due principally to higher markdowns in 1995, which were used to both clear slow moving inventories and to stimulate sales in a slow retail environment. Buying and occupancy costs rose .6% as a percentage of sales, primarily due to the lower sales productivity associated with the 5% decreases in comparable store sales at the women's businesses and a 10% comparable store sales decline in the men's and kids' businesses. In addition, higher catalogue costs due to significant price increases in paper and postage, along with increased mailings exacerbated the buying and occupancy increase.

Gross income increased as a percentage of sales to 32.8% for the fourth quarter of 1994 from 29.1% for the same period in 1993. Merchandise margins, expressed as a percentage of sales, increased 4.4%, as the Company was less price promotional than a year earlier. However, the merchandise margin increase was partially offset by a .7% increase in buying and occupancy costs, expressed as a percentage of sales, primarily as a result of lower sales productivity associated with an 11% decrease in the women's businesses comparable store sales.

The 53-week 1995 gross income rate of 26.5% fell 2.4% below the rate for the 52-week fiscal year in 1994. Merchandise margins, expressed as a percentage of sales, decreased 1.6%, due to higher 1995 markdowns utilized principally in the Fall season for the reasons previously mentioned above. Buying and occupancy costs also increased .7% as a percentage of sales, primarily due to the lower sales productivity associated with the 3% decrease in comparable store sales in the women's businesses and a 5% decline in comparable store sales in the men's and kids' businesses. Again, an increase in paper prices and postage along with increased mailings of catalogues also increased the buying and occupancy rate.

The 1994 gross income rate of 28.9% increased 1.9% above the rate for 1993. Merchandise margins, expressed as a percentage of sales, increased 3.0%, due to the Company's less promotional pricing strategy. However, the merchandise margin increase was partially offset by increased buying and occupancy costs, which rose 1.2% as a percentage of sales, primarily due to the lower sales productivity associated with a 9% decrease in the women's businesses comparable store sales.

General, Administrative and Store Operating Expenses

General, administrative and store operating expenses, expressed as a percentage of sales, increased to 16.8% in the fourth quarter of 1995 from 15.4% in the same period of 1994, principally due to lower per store sales productivity.

These costs, expressed as a percentage of sales, were 18.7%, 18.0% and 17.4% for fiscal years 1995, 1994 and 1993. The increases in 1995 and 1994 were due to the lower sales productivity at both existing stores and new and remodeled stores. Despite the increase in rates, the Company expects to continue providing a high level of customer service, and accordingly is not intending to reduce selling payroll at the store level.

The Company anticipates that its general, administrative and store operating expense rate will increase throughout 1996 due to the sale of a 60% interest in the previously wholly-owned subsidiary World Financial Network National Bank, ("WFNNB"). Historically, finance charge income of WFNNB, net of expenses (excluding interest), was included as an element of general, administrative and store operating expenses.

Special and Nonrecurring Items

As described in Note 2 to the Consolidated Financial Statements, in the fourth quarter of 1995 the Company completed the sale of a 60% interest in its wholly-owned credit card bank, WFNNB, to the New York investment firm of Welsh, Carson, Anderson & Stowe ("WCAS"). The new joint venture, which is 40% owned by the Company, will focus on providing private-label and bank card transaction processing and database management services to the Company's private-label credit card operations and other retailers. WCAS purchased its interest for $135 million and also made a $30 million capital contribution to the new venture. The Company recognized a $73.2 million pre-tax gain from the sale of WFNNB.

In addition, WFNNB's outstanding debt to the Company of approximately $1.2 billion was repaid in January 1996 from the proceeds realized from the securitization of WFNNB's credit card receivables.

Along with the 60% sale of WFNNB, the Company recognized a special and nonrecurring charge during the fourth quarter of 1995 of approximately $71.9 million. Of this amount, approximately $45.6 million was to provide $25.8 million for the closing of 26 stores and $19.8 million for the downsizing of 33 stores, primarily Limited Stores and Lerner. These stores have been identified based on the profit performance of the store and assessment of the quality of real estate. The provision includes the net present value of rent payments through the date of closing, lease termination payments and approximately $15 million representing the net book value of fixed assets. The remaining charge of approximately $26.3 million represented the write-down to market or net realizable value of certain assets, including joint venture and other investments and receivables arising from nonoperating activities. The net pre-tax gain from these special and nonrecurring items was $1.3 million.

During 1993, the Company also completed the sale of a 60% interest in its Brylane division for $285 million in cash. This transaction was part of a program aimed at accelerating the growth of the retail businesses, which included the acceleration of the store remodeling, downsizing and closing program at Limited Stores and Lerner divisions and the refocusing of the merchandising strategy at the Henri Bendel division. The net pre-tax gain from these special and nonrecurring items was $2.6 million.

The Company also announced a program to repurchase up to $500 million of the Company's common stock over time as market conditions warrant. As of the end of fiscal year 1995, the Company had repurchased 9.3 million shares at a cost of $159.9 million.

Operating Income

Operating income, as a percentage of sales, was 7.8%, 10.9% and 9.6% for fiscal years 1995, 1994 and 1993. The decrease in operating income in 1995 was due to lower merchandise margins resulting from higher markdowns and the inability to leverage both buying and occupancy costs and higher general, administrative and store operating expenses due to lower sales productivity. The increase in operating income in 1994 was primarily due to higher merchandise margins, partially offset by higher buying and occupancy costs and higher general, administrative and store operating expenses.

	Goal-1996	1995	1994	Change from 1996-95	Change from 1995-94
Express					
Stores	**764**	737	716	**27**	21
Selling Sq. Ft.	**4,803,000**	4,588,000	4,357,000	**215,000**	231,000
Lerner New York					
Stores	**806**	835	846	**(29)**	(11)
Selling Sq. Ft.	**6,117,000**	6,393,000	6,580,000	**(276,000)**	(187,000)
Lane Bryant					
Stores	**833**	828	812	**5**	16
Selling Sq. Ft.	**3,980,000**	3,955,000	3,859,000	**25,000**	96,000
Limited Stores					
Stores	**677**	689	709	**(12)**	(20)
Selling Sq. Ft.	**4,029,000**	4,211,000	4,358,000	**(182,000)**	(147,000)
Henri Bendel					
Stores	**6**	4	4	**2**	0
Selling Sq. Ft.	**111,000**	88,000	93,000	**23,000**	(5,000)
Structure					
Stores	**551**	518	466	**33**	52
Selling Sq. Ft.	**2,160,000**	1,993,000	1,755,000	**167,000**	238,000
Abercrombie & Fitch Co.					
Stores	**125**	100	67	**25**	33
Selling Sq. Ft.	**980,000**	792,000	541,000	**188,000**	251,000
The Limited Too					
Stores	**312**	288	210	**24**	78
Selling Sq. Ft.	**983,000**	903,000	665,000	**80,000**	238,000
Galyan's					
Stores	**9**	6	–	**3**	6
Selling Sq. Ft.	**490,000**	250,000	–	**240,000**	250,000
Victoria's Secret Stores					
Stores	**722**	671	601	**51**	70
Selling Sq. Ft.	**3,298,000**	3,014,000	2,586,000	**284,000**	428,000
Bath & Body Works					
Stores	**748**	498	318	**250**	180
Selling Sq. Ft.	**1,336,000**	848,000	489,000	**488,000**	359,000
Cacique					
Stores	**120**	120	114	**0**	6
Selling Sq. Ft.	**369,000**	366,000	342,000	**3,000**	24,000
Penhaligon's					
Stores	**4**	4	4	**0**	0
Selling Sq. Ft.	**2,000**	2,000	2,000	**0**	0
Total Retail Divisions					
Stores	**5,677**	5,298	4,867	**379**	431
Selling Sq. Ft.	**28,658,000**	27,403,000	25,627,000	**1,255,000**	1,776,000

Impact of Inflation

The Company's results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes that the effects of inflation, if any, on the results of operations and financial condition have been minor.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

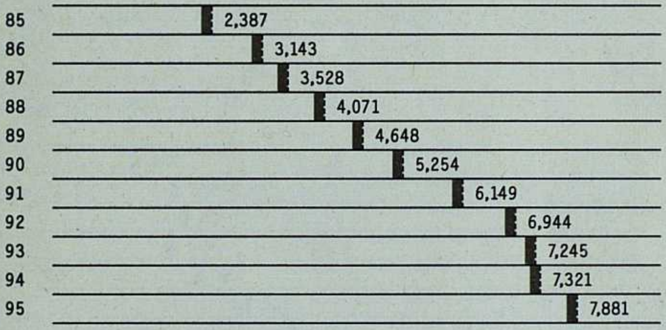
The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report, the Form 10-K or made by management of the Company involve risks and uncertainties, and are subject to change based on various important factors. The following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 1996 and beyond to differ materially from those expressed or implied in any such forward-looking statements: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, postal rate increases and charges, paper and printing costs, availability of suitable store locations at appropriate terms, ability to develop new merchandise and ability to hire and train associates.

Consolidated Statements of Income
(Thousands except per share amounts)

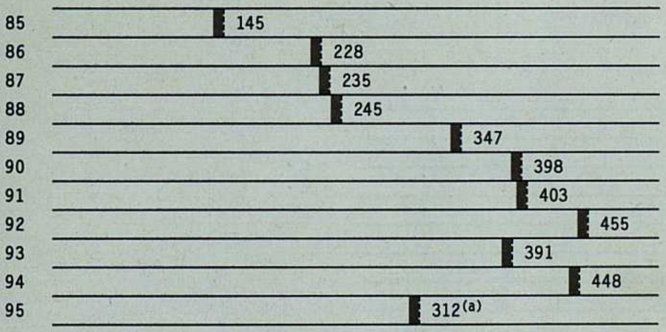
	1995	1994	1993
Net Sales	**$ 7,881,437**	$ 7,320,792	$ 7,245,088
Costs of Goods Sold, Occupancy and Buying Costs	**(5,793,905)**	(5,206,429)	(5,286,253)
Gross Income	**2,087,532**	2,114,363	1,958,835
General, Administrative and Store Operating Expenses	**(1,475,497)**	(1,315,374)	(1,259,896)
Special and Nonrecurring Items, Net	**1,314**	–	2,617
Operating Income	**613,349**	798,989	701,556
Interest Expense	**(77,537)**	(65,381)	(63,865)
Other Income, Net	**21,606**	10,735	7,308
Minority Interest	**(22,374)**	–	–
Gain on Sale of Subsidiary Stock	**649,467**	–	–
Income Before Income Taxes	**1,184,511**	744,343	644,999
Provision for Income Taxes	**223,000**	296,000	254,000
Net Income	**$ 961,511**	$ 448,343	$ 390,999
Net Income Per Share	**$ 2.68**	$ 1.25	$ 1.08

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Net Sales
($ Millions)
CAGR 13%
(Compound Annual Growth Rate, last ten years)



Net Income
($ Millions)
CAGR 8%



(a) Excludes the effect on net income of the gain on sale of subsidiary stock of $649.

Consolidated Statements of Shareholders' Equity

(Thousands)

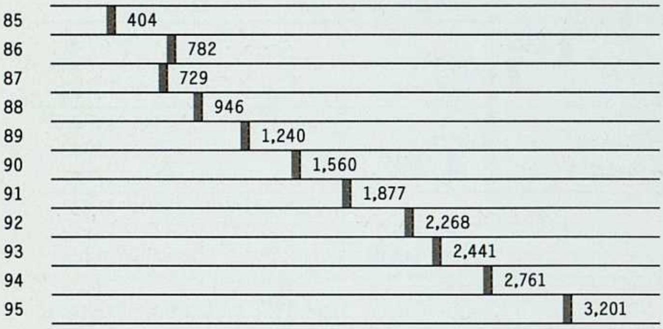
	Common Stock	
	Shares Outstanding	Par Value
Balance, January 30, 1993	362,648	$189,727
Net Income	–	–
Cash Dividends	–	–
Purchase of Treasury Stock	(5,288)	–
Exercise of Stock Options and Other	441	–
Balance, January 29, 1994	357,801	$189,727
Net Income	–	–
Cash Dividends	–	–
Purchase of Treasury Stock	(629)	–
Exercise of Stock Options and Other	432	–
Balance, January 28, 1995	357,604	$189,727
Net Income	–	–
Cash Dividends	–	–
Purchase of Treasury Stock	(3,361)	–
Common Shares Subject to Contingent Stock Redemption Agreement	–	(9,375)
Stock Issued for Acquisition	730	–
Exercise of Stock Options and Other	393	–
Balance, February 3, 1996	355,366	$180,352

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Shareholders' Equity

($ Millions)

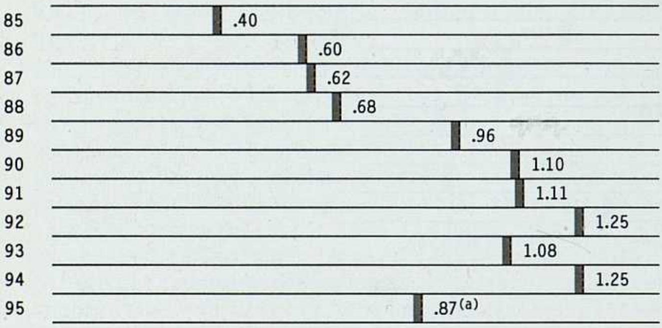
CAGR 23%



Net Income per Share

($)

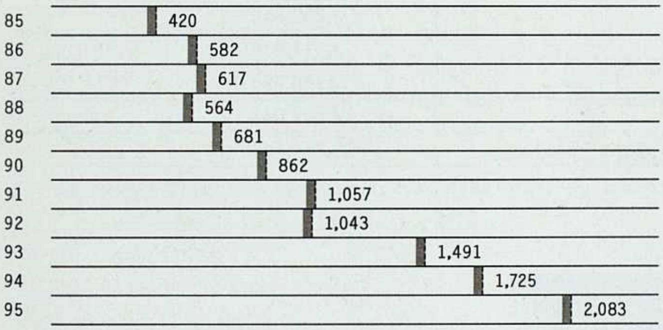
CAGR 8%



(a) Excluding gain on sale of subsidiary stock of $1.81 per share.

Paid-In Capital	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
$127,776	$2,136,794	$(186,680)	$2,267,617
–	390,999	–	390,999
–	(130,681)	–	(130,681)
–	–	(93,328)	(93,328)
1,130	–	5,556	6,686
$128,906	$2,397,112	$(274,452)	$2,441,293
–	448,343	–	448,343
–	(128,939)	–	(128,939)
–	–	(11,382)	(11,382)
4,032	–	7,609	11,641
$132,938	$2,716,516	$(278,225)	$2,760,956
–	961,511	–	961,511
–	(143,091)	–	(143,091)
–	–	(55,239)	(55,239)
(7,639)	(334,586)	–	(351,600)
7,769	–	8,231	16,000
4,066	–	8,438	12,504
$137,134	**$3,200,350**	**$(316,795)**	**$3,201,041**

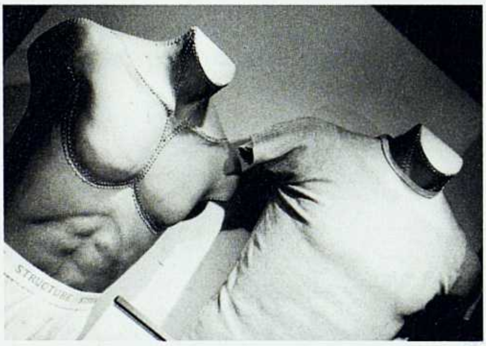
Working Capital
($ Millions)



Consolidated Balance Sheets
(Thousands)

Assets	Feb. 3, 1996	Jan. 28, 1995
Current Assets		
Cash and Equivalents	$1,645,731	$ 242,780
Accounts Receivable	77,516	1,292,399
Inventories	958,953	870,440
Other	117,832	117,352
Total Current Assets	2,800,032	2,522,971
Property and Equipment, Net	1,741,456	1,692,145
Restricted Cash	351,600	–
Other Assets	373,475	354,961
Total Assets	$5,266,563	$4,570,077
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	$ 280,659	$ 275,303
Accrued Expenses	388,818	372,676
Certificates of Deposit	–	25,200
Income Taxes	47,098	124,376
Total Current Liabilities	716,575	797,555
Long-Term Debt	650,000	650,000
Deferred Income Taxes	250,857	306,139
Other Long-Term Liabilities	50,791	55,427
Minority Interest	45,699	–
Contingent Stock Redemption Agreement	351,600	–
Shareholders' Equity		
Common Stock	180,352	189,727
Paid-In Capital	137,134	132,938
Retained Earnings	3,200,350	2,716,516
	3,517,836	3,039,181
Less: Treasury Stock, at Cost	(316,795)	(278,225)
Total Shareholders' Equity	3,201,041	2,760,956
Total Liabilities and Shareholders' Equity	$5,266,563	$4,570,077

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Consolidated Statements of Cash Flows
(Thousands)

	1995	1994	1993
Cash Flows from Operating Activities			
Net Income	$ 961,511	$ 448,343	$ 390,999
Impact of Other Operating Activities on Cash Flows			
Depreciation and Amortization	285,889	267,888	271,353
Minority Interest, Net of Dividends Paid	17,250	–	–
Special and Nonrecurring Items, Net	(1,314)	–	(2,617)
Gain on Sale of Subsidiary Stock	(649,467)	–	–
Change in Assets and Liabilities			
Accounts Receivable	(104,121)	(235,488)	(219,534)
Inventories	(70,813)	(136,740)	70,006
Accounts Payable and Accrued Expenses	50,883	49,724	14,943
Income Taxes	(77,278)	30,887	20,773
Other Assets and Liabilities	(55,808)	(63,536)	(97,784)
Net Cash Provided by Operating Activities	356,732	361,078	448,139
Investing Activities			
Capital Expenditures	(374,374)	(319,676)	(295,804)
Businesses Acquired	(18,000)	–	–
Increase in Restricted Cash	(351,600)	–	–
Proceeds from Credit Card Securitization	1,212,630	–	–
Proceeds from Sale of Business	–	–	285,000
Tax Effect of Gain on Sale of Business	–	–	(64,750)
Net Cash Provided by (Used for) Investing Activities	468,656	(319,676)	(75,554)
Financing Activities			
Net Proceeds (Repayments) of Commercial Paper Borrowings and Certificates of Deposit	(25,200)	9,500	(25,939)
Proceeds from Short-Term Borrowings	250,000	–	–
Repayment of Short-Term Borrowings	(250,000)	–	–
Net Proceeds from Issuance and Sale of Subsidiaries' Stock	788,589	–	–
Repayments of Long-Term Debt	–	–	(100,000)
Proceeds from Issuance of Unsecured Notes	–	–	250,000
Dividends Paid	(143,091)	(128,939)	(130,681)
Purchase of Treasury Stock	(55,239)	(11,382)	(93,328)
Stock Options and Other	12,504	11,641	6,686
Net Cash Provided by (Used for) Financing Activities	577,563	(119,180)	(93,262)
Net Increase (Decrease) in Cash and Equivalents	1,402,951	(77,778)	279,323
Cash and Equivalents, Beginning of Year	242,780	320,558	41,235
Cash and Equivalents, End of Year	$1,645,731	$ 242,780	$ 320,558

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of The Limited, Inc. (the "Company") and all significant subsidiaries which are more than 50% owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in other entities (including joint ventures) which are more than 20% owned are accounted for on the equity method.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal year 1995 represent the 53-week period ended February 3, 1996 and results for fiscal years 1994 and 1993 represent the 52-week periods ended January 28, 1995 and January 29, 1994.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with maturities of less than 90 days.

Inventories

Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, utilizing the retail method.

Property and Equipment

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10-30 years for buildings and improvements and 3-10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which extend service lives are capitalized.

Goodwill Amortization

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized on a straight-line basis principally over 30 years.

Catalogue Costs and Advertising

Catalogue costs, primarily consisting of catalogue production and mailing costs, are amortized over the expected future revenue stream, which is principally from three to six months from the date catalogues are mailed. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalogue and advertising costs amounted to $237 million, $179 million and $131 million in 1995, 1994 and 1993.

Interest Rate Swap Agreements

The difference between the amount of interest to be paid and the amount of interest to be received under interest rate swap agreements due to changing interest rates is charged or credited to interest expense over the life of the swap agreement. Gains and losses from the disposition of swap agreements are deferred and amortized over the term of the related agreements.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse. Under SFAS 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Shareholders' Equity

Five hundred million shares of $.50 par value common stock are authorized, of which 355.4 million and 357.6 million were outstanding, net of 24.1 million shares and 21.8 million shares held in treasury at February 3, 1996 and January 28, 1995.

Ten million shares of $1.00 par value preferred stock are authorized, none of which have been issued.

On March 18, 1996, the Company completed the repurchase of 85 million shares of its common stock under a self-tender offer at $19.00 per share. Approximately $1.615 billion was paid in exchange for the outstanding shares which was funded by proceeds from a series of transactions that included 1) the initial public offering of a 16.9% interest in Intimate Brands, Inc. ("IBI"), 2) the securitization of World Financial Network National Bank ("WFNNB") credit card receivables and 3) the sale of a 60% equity interest in WFNNB.

Net Income Per Share

Net income per share is computed based upon the weighted average number of outstanding common shares, including the effect of stock options. There were 358.4 million, 358.6 million and 363.2 million weighted average outstanding shares for 1995, 1994 and 1993.

Issuance of Subsidiary Stock

Gains or losses resulting from stock issued by a subsidiary of the Company are recognized in current year's income. In 1995, the Company recognized a $649.5 million gain which resulted from the initial public offering of a 16.9% interest (42.7 million shares) in the outstanding shares of IBI. IBI consists of the Victoria's Secret Stores, Victoria's Secret Catalogue, Bath & Body Works, Cacique, Penhaligon's and Gryphon businesses. The gain recorded by the Company was not subject to tax.

Minority interest of $45.7 million at February 3, 1996 represents a 16.9% interest in the net equity of IBI. A more detailed discussion of this matter is included under the heading "Gain on Sale of Subsidiary Stock" in Management's Discussion and Analysis on page 46 of this Annual Report.

Adoption of New Accounting Standards

During March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." The Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Management evaluates the recoverability of goodwill and other long-lived assets and several factors are used in the valuation including, but not limited to, management's plans for future operations, recent operating results and projected cash flows. The Company adopted SFAS No. 121 in the first quarter of 1995, the adoption of which did not have a material adverse effect on the results of operations or financial condition.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation." The Company will adopt the new disclosure requirements beginning with fiscal year 1996.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Since actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

2. Special and Nonrecurring Items

In the fourth quarter of 1995, the Company completed the sale of a 60% interest in its wholly-owned credit card bank, WFNNB, to the New York investment firm of Welsh, Carson, Anderson & Stowe ("WCAS"). The transaction resulted in the formation of a joint venture which will focus on providing private-label and bank card transaction processing and database management services to retailers, including the Company's private-label credit card operations. WCAS purchased its interest from the Company for $135 million and also made a $30 million capital contribution to the new venture. As a result of these transactions, the Company recognized a $73.2 million pre-tax gain from the sale of WFNNB.

During the fourth quarter of 1995, the Company elected to use $45.6 million of the proceeds to provide for the accelerated closing and downsizing of stores in 1996, primarily at Limited Stores and Lerner divisions, and provided approximately $26.3 million for the write-down to net realizable value of certain assets, including joint venture and other investments and receivables arising from nonoperating activities. The sale of a 60% equity interest in WFNNB, together with the aforementioned real estate charges and the revaluation of certain assets resulted in a special and nonrecurring net pre-tax gain of $1.3 million.

The total assets, net assets and net income of WFNNB in 1995 and 1994 were $201 million and $1,255 million, $141 million and $96 million, and $29 million and $34 million, respectively.

During the third quarter of 1993, the Company approved a plan which included the following components: the sale of a 60% interest in the Brylane mail order business; the acceleration of the store remodeling, downsizing and closing program at Limited Stores and Lerner divisions; and the refocusing of the merchandise strategy at the Henri Bendel division. The net pre-tax gain from these special and nonrecurring items was $2.6 million. The Company completed this program in 1995.

A further discussion of these matters is included under the heading "Special and Nonrecurring Items" in Management's Discussion and Analysis on page 45 of this Annual Report.

3. Accounts Receivable

Accounts receivable consisted of (Thousands):

	1995	1994
Deferred Payment Accounts	–	$1,250,636
Trade and Other	$77,516	86,709
Allowance for Uncollectible Accounts	–	(44,946)
	$77,516	$1,292,399

As discussed in Note 2, the Company completed the sale of a 60% interest in WFNNB in the fourth quarter of 1995. In addition, WFNNB's outstanding debt to the Company of approximately $1.2 billion was repaid from the proceeds realized from the securitization of WFNNB's credit card receivables.

As a result of the sale of WFNNB and the securitization of the credit card receivables, a substantial portion of the deferred payment accounts were transferred to a special purpose entity which facilitated the asset securitization, and any remaining deferred payment accounts, net of an allowance for uncollectible accounts, were held by the WFNNB joint venture.

Finance charge revenue on the deferred payment accounts amounted to $235.6 million, $223.9 million and $174.5 million in 1995, 1994 and 1993, and the provision for uncollectible accounts amounted to $91.4 million, $72.7 million and $50.8 million in 1995, 1994 and 1993. These amounts are classified as components of the cost to administer the deferred payment program and are included in general, administrative and store operating expenses.

4. Property and Equipment

Property and equipment, at cost, consisted of (Thousands):

	1995	1994
Land, Buildings and Improvements	$ 535,061	$ 510,563
Furniture, Fixtures and Equipment	1,794,612	1,714,587
Leaseholds and Improvements	609,253	515,226
Construction in Progress	79,831	58,039
	3,018,757	2,798,415
Less: Accumulated Depreciation and Amortization	1,277,301	1,106,270
Property and Equipment, Net	$1,741,456	$1,692,145

5. Leased Facilities and Commitments

Annual store rent is comprised of a fixed minimum amount, plus contingent rent based upon a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses.

A summary of rent expense for 1995, 1994 and 1993 follows (Thousands):

	1995	1994	1993
Store Rent:			
Fixed Minimum	$643,200	$586,437	$540,381
Contingent	18,812	17,522	19,727
Total Store Rent	662,012	603,959	560,108
Equipment and Other	26,101	27,710	31,897
Total Rent Expense	$688,113	$631,669	$592,005

At February 3, 1996 the Company was committed to noncancelable leases with remaining terms of one to forty years. A substantial portion of these commitments are store leases with initial terms ranging from ten to twenty years, with options to renew at varying terms. Accrued rent expense was $102.2 million and $116.5 million at February 3, 1996 and January 28, 1995.

A summary of minimum rent commitments under noncancelable leases follows (Thousands):

1996	$ 659,259
1997	642,450
1998	620,372
1999	596,387
2000	578,913
Thereafter	$2,878,037

6. Restricted Cash

At February 3, 1996, Special Funding, Inc., a wholly-owned subsidiary of the Company, had $351.6 million of restricted cash invested in short-term, highly liquid securities. This amount is classified as a non-current asset, since it has been reserved for use in the event that The Wexner Children's Trust, established by Leslie H. Wexner, the Company's principal shareholder, exercises its opportunity to require the Company to redeem, or the Company exercises its opportunity to redeem from the Trust, shares of The Limited, Inc. common stock in accordance with the terms of the Contingent Stock Redemption Agreement. Interest earnings on the segregated cash will accrue to the Company. (See Note 9.)

7. Long-Term Debt

Unsecured long-term debt consisted of (Thousands):

	1995	1994
7½% Debentures Due March 2023	**$250,000**	$250,000
7⅘% Notes Due May 2002	**150,000**	150,000
9⅛% Notes Due February 2001	**150,000**	150,000
8⅞% Notes Due August 1999	**100,000**	100,000
	$650,000	$650,000

Effective December 15, 1995, (the "Effective Date"), the Company replaced two revolving credit agreements totaling $840 million with a $1 billion unsecured credit agreement (the "Agreement"). Borrowings outstanding under the Agreement are due December 14, 2000. However, the revolving term of the Agreement may be extended an additional two years upon notification by the Company on the second and fourth anniversaries of the Effective Date, subject to the approval of the lending banks. The Agreement has several borrowing options, including interest rates which are based on either the lender's "Base Rate," as defined, LIBOR, CD based options or at a rate submitted under a bidding process. Facilities fees payable under the Agreement are based on the Company's long-term credit ratings, and currently approximate 1/8% of the committed amount per annum. The Agreement contains covenants relating to the Company's working capital, debt and net worth. No amounts were outstanding under the Agreement at February 3, 1996.

The Agreement supports the Company's commercial paper program which is used from time to time to fund working capital and other general corporate requirements. No commercial paper was outstanding at February 3, 1996.

Up to $250 million of debt securities and warrants to purchase debt securities may be issued under the Company's shelf registration statement.

The Company periodically enters into interest rate swap agreements with the intent to manage interest rate exposure. At February 3, 1996, the Company had two interest rate swap positions outstanding, each having a $100 million notional principal amount. One contract effectively changed the Company's interest rate exposure on $100 million of variable rate debt to a fixed rate of 8.09% through July 2000. The remaining contract, which expired in February 1996, effectively changed the interest rate on $100 million of fixed rate debt to a variable rate.

Long-term debt maturities within the next five years consist of $100 million which matures in 1999 and $150 million which matures in 2000. Interest paid approximated $88.4 million, $64.7 million and $57.4 million in 1995, 1994 and 1993.

8. Income Taxes

The provision for income taxes consisted of (Thousands):

	1995	1994	1993
Currently Payable:			
Federal	**$190,900**	$231,000	$249,400
State	**24,700**	32,000	35,100
Foreign	**4,500**	4,100	6,400
	220,100	267,100	290,900
Deferred:			
Federal	**(9,400)**	12,900	(41,800)
State	**12,300**	16,000	4,900
	2,900	28,900	(36,900)
Total Provision	**$223,000**	$296,000	$254,000

The foreign component of pre-tax income, arising principally from overseas sourcing operations, was $60.8 million, $40.9 million and $54.8 million in 1995, 1994 and 1993.

A reconciliation between the statutory Federal income tax rate and the effective income tax rate on pre-tax earnings excluding the non-taxable gain from sale of subsidiary stock follows:

	1995	1994	1993
Federal Income Tax Rate	**35.0%**	35.0%	35.0%
Minority Interest	**1.5**	–	–
State Income Tax, Net of Federal Income Tax Effect	**4.5**	4.2	4.0
Other Items, Net	**.7**	.6	.4
	41.7%	39.8%	39.4%

Income taxes payable included net current deferred tax assets of $109.5 million and $44.5 million at February 3, 1996 and January 28, 1995. The effect of temporary differences which give rise to deferred income tax balances was as follows (Thousands):

	1995			1994		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Excess of Tax Over Book Depreciation	**–**	**$ (39,190)**	**$ (39,190)**	–	$(156,208)	$(156,208)
Undistributed Earnings of Foreign Affiliate	**–**	**(125,511)**	**(125,511)**	–	(109,350)	(109,350)
Investment in Affiliate	**–**	**(37,115)**	**(37,115)**	–	(28,056)	(28,056)
State Income Taxes	**$22,875**	**–**	**22,875**	$12,595	–	12,595
Bad Debt Reserve	**–**	**–**	**–**	18,678	–	18,678
Special and Nonrecurring Items	**28,919**	**–**	**28,919**	18,912	–	18,912
Other	**28,571**	**(19,876)**	**8,695**	30,170	(48,385)	(18,215)
Total Deferred Income Taxes	**$80,365**	**$(221,692)**	**$(141,327)**	$80,355	$(341,999)	$(261,644)

Income tax payments approximated $306.1 million, $230.9 million and $291.3 million for 1995, 1994 and 1993.

The Internal Revenue Service has assessed the Company for additional taxes and interest for years 1989-1992. The assessment was based primarily on the treatment of transactions involving the Company's foreign operations and construction allowances. Although a $65 million deposit has been made to mitigate further interest being assessed, the Company strongly disagrees with the assessment and is vigorously contesting the matter. Management believes resolution of this matter will not have a material adverse effect on the Company's results of operations or financial condition.

9. Contingent Stock Redemption Agreement

In connection with the reconfiguration of the business, the Company purchased from shareholders via a self-tender offer, 85 million shares of The Limited, Inc. stock for approximately $1.615 billion on March 18, 1996. Leslie H. Wexner, Chairman and CEO of the Company, as well as the Company's founder and principal shareholder, did not participate in the self-tender. However, the Company has entered into an agreement which provides The Wexner Children's Trust the opportunity, commencing on February 1, 1998, and for a period of three years thereafter (the exercise period), to require the Company to redeem up to 18.75 million shares for a price per share equal to $18.75 (a price equal to the price per share paid in the self-tender less $.25 per share). Under certain circumstances, lenders to the Trust,if any, may exercise this opportunity, beginning February 1, 1997. The Company received the opportunity to redeem an equivalent number of shares from the Trust at $25.07 per share for a period beginning on August 1, 2001 and for six months thereafter. As a result of these events, the Company has transferred $351.6 million to temporary equity identified as Contingent Stock Redemption Agreement in the Consolidated Balance Sheet as of February 3, 1996. In addition, approximately $351.6 million has been designated as restricted cash to consummate either of the above rights. (See Note 6.) The terms of this agreement were approved by the Company's Board of Directors.

10. Stock Options and Restricted Stock

Stock options are granted to officers and key employees based upon fair market value at the date of grant. In 1995, the Company established a stock option plan for officers and key associates of IBI. In connection with the IBI initial public offering, associates of IBI were permitted to exchange on a fair value basis 1995 The Limited, Inc. stock options for stock options granted by IBI. Cancellations during 1995 include 347,500 shares granted to IBI associates which were exchanged for options of IBI common stock. A summary of option activity for 1993, 1994 and 1995 follows:

		Number of Shares	Weighted Average Option Price Per Share
Outstanding Options, January 30, 1993		**5,514,000**	**$18.57**
Activity During 1993:	Granted	2,457,000	21.74
	Exercised	(431,000)	12.22
	Canceled	(357,000)	22.32
Outstanding Options, January 29, 1994		**7,183,000**	**$19.87**
Activity During 1994:	Granted	2,122,000	17.19
	Exercised	(393,000)	11.44
	Canceled	(498,000)	21.49
Outstanding Options, January 28, 1995		**8,414,000**	**$19.56**
Activity During 1995:	Granted	2,196,000	17.81
	Exercised	(280,000)	12.43
	Canceled	(1,188,000)	19.90
Outstanding Options, February 3, 1996		**9,142,000**	**$19.32**

The Company had approximately .9 million shares available for grant for The Limited, Inc. stock options at February 3, 1996 as compared to 2.2 million shares available at January 28, 1995 and 5.3 million shares available at January 29, 1994. Approximately 9.1 million shares of the Company's common stock were reserved for outstanding options, of which 4.8 million were exercisable as of February 3, 1996.

In 1995 and 1994, approximately 569,000 and 848,000 restricted shares of the Company's common stock were granted to certain officers and key associates. The market value of the shares at the date of grant amounted to $10.0 million in 1995 and $16.7 million in 1994 and is recorded within treasury stock in the

Directors

Leslie H. Wexner
Chairman (••)

Kenneth B. Gilman
Vice Chairman and Chief Financial Officer

Michael A. Weiss
Vice Chairman

Bella Wexner
Secretary

Martin Trust
President: Mast Industries, Inc., Andover, Massachusetts

Eugene M. Freedman
Senior Advisor to and Director of Monitor Company, Inc. Weston, Massachusetts (▲)

E. Gordon Gee
President: The Ohio State University, Columbus, Ohio (+)

Thomas G. Hopkins
Retired Vice Chairman of the Board, Vero Beach, Florida

David T. Kollat
Chairman: 22 inc., a management consulting and marketing research firm, Worthington, Ohio

Claudine B. Malone
Financial & Management Consulting Inc., McLean, Virginia (•)(▲)

Donald B. Shackelford
Chairman of the Board: State Savings Bank, Columbus, Ohio (+)(•)(▲)

Allan R. Tessler
Chairman and Chief Executive Officer: International Financial Group, Inc., New York, New York (•)(••)(▲)

Raymond Zimmerman
Chairman of the Board: Service Merchandise Co., Inc., Brentwood, Tennessee (•)(▲)

(+) Member of Compensation Committee
(•) Member of Audit Committee
(••) Member of Nominating Committee
(▲) Member of Finance Committee

Executive Officers

Leslie H. Wexner
Chairman

Kenneth B. Gilman
Vice Chairman and Chief Financial Officer

Michael A. Weiss
Vice Chairman

Arnold F. Kanarick
Executive Vice President and Director of Human Resources

Bella Wexner
Secretary

Wade H. Buff
Vice President, Internal Audit

Alfred S. Dietzel
Vice President, Financial and Public Relations

Samuel P. Fried
Vice President and General Counsel

William K. Gerber
Vice President, Finance

Patrick Hectorne
Treasurer

Kent A. Kleeberger
Corporate Controller

Jack Listanowsky
Vice President and Chief Sourcing and Production Officer

Timothy B. Lyons
Vice President, Taxes

Edward G. Razek
Vice President and Director of Marketing

Jon Ricker
Vice President and Chief Information Officer

Bruce A. Soll
Vice President

Division Leaders

Express
Susan Falk, President

Lerner New York
Richard P. Crystal, President

Lane Bryant
Jill Dean, President

Limited Stores
Cheryl Turpin, President

Henri Bendel
Ted Marlow, President

Structure
David Mangini, President

Abercrombie & Fitch Co.
Mike Jeffries, President

The Limited Too
Michael Rayden, President

Galyan's Trading Co.
Pat Galyan, President

Victoria's Secret Stores
Grace Nichols, President

Victoria's Secret Catalogue
Cynthia Fedus, President

Bath & Body Works
Beth Pritchard, President

Cacique
Sally Martin, General Merchandising Manager

Penhaligon's
Sheila Pickles, Managing Director

Gryphon
Robert J. Ruttenberg, President

Mast Industries
Martin Trust, President

Limited Distribution Services
C. Lee Johnson, President

Limited Real Estate
Buck Sappenfield, President

Limited Store Planning
Charles W. Hinson, President

Corporate Information

Corporate Offices
Three Limited Parkway
PO Box 16000
Columbus, Ohio 43216
614-479-7000

Annual Meeting
The Annual Meeting of Shareholders is scheduled for 9:00 AM, Monday, May 20, 1996 at
Three Limited Parkway
Columbus, Ohio 43230

Stock Exchange Listings
New York Stock Exchange
(Trading Symbol "LTD")
London Stock Exchange
Commonly listed in newspapers as "Limitd"

Independent Public Accountants
Coopers & Lybrand L.L.P.
Columbus, Ohio

Overseas Offices
London, England; Paris, France; Kowloon, Hong Kong; Tel Aviv, Israel; Florence, Italy; Milan, Italy; Seoul, Korea; Taipei, Taiwan

10-K Report
A copy of Form 10-K is available without charge upon written request to
Alfred S. Dietzel, Vice President
The Limited, Inc.
PO Box 16000
Columbus, Ohio 43216

Information Requests
Please call 614-479-6400 or write The Limited, Inc. Public Affairs at the corporate offices address listed above.

Stock Transfer Agent, Registrar and Dividend Agent
First Chicago Trust Company of New York
PO Box 2500
Jersey City, New Jersey 07303-2500
800-446-2617

The Limited, Inc.
Date founded, 1963
As of February 3, 1996, number of associates: 104,000; approximate shareholder base: 128,000

Design: Frankfurt Balkind Partners NY/LA/SF Printing: Heritage Press Reportage photography: Doug Menuez

...at the end of the day,
no one left empty-handed.

The Limited, Inc.
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